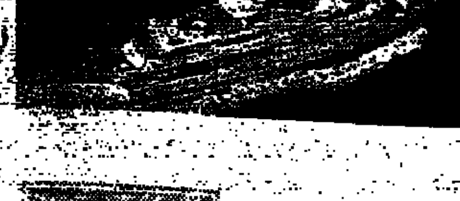

Maxwell's floating palace
Behind closed doors on the Lady Ghislaine
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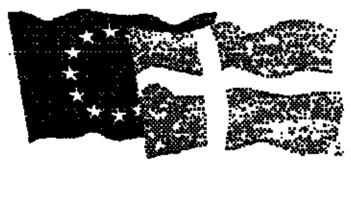

What now for Maastricht?
Everything up for grabs after the Danish "no" vote
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US schools
Chris Whittle's blueprint for classroom revolution
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Marketing
Perot changes the rules
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FINANCIAL TIMES

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Maxwell brothers seek $10m for media venture

The Maxwell brothers, Kevin and Ian, are trying to raise $10m by the end of this month to launch an international media investment partnership.

The aim of the venture is to take stakes in promising media businesses in the UK, the US and in a number of countries in central and eastern Europe – a strategy reminiscent of their late father. Page 16; Maxwell yacht for sale, Page 9; Broker acquitted, Page 9

Mercedes-Benz, the automotive subsidiary of Daimler-Benz, the German engineering group, will cut its costs following the recent 5.8 per cent pay award to engineering workers by shedding up to 10,000 jobs this year. Page 17

Perot names campaign team: Republican Ed Rollins and Democrat Hamilton Jordan, two of the best-known strategists in US politics, have been named co-managers of Ross Perot's unofficial presidential campaign.

Lloyd's of London losses in 1989 are likely to be more than £2bn ($3.6bn), exceeding the worst expectations, according to Chatset, which analyses the insurance market. Page 16 and Lex; Burden of losses, Page 9; Sturge shares hit by cut in payout, Page 17

Berlin takes over sites: Berlin's city government has ruled that more than DM10bn ($6.2bn) in east Berlin properties claimed by companies and private individuals will instead be taken over by the city. Page 16

Warren Buffett, brought in to run Salomon Inc in the wake of the US bond trading scandal, promoted the company's chief legal counsel, Robert Denham, to succeed him as chairman and chief executive of the group. Page 17

Serb ambush: Serb irregulars machinegunned a van carrying medical supplies to Sarajevo and shelled an apartment complex in the besieged Bosnian capital, killing four people. Page 16

Kabul civilians held: Warring Sunni and Shia Moslem guerrilla factions took hundreds of Afghan civilians hostage at gunpoint with Afghanistan's new coalition government apparently powerless to stop them. Page 7

Thai amnesty upheld: A Thai tribunal rejected an opposition appeal against an amnesty for military officers who ordered the shooting of pro-democracy demonstrators. The decision could provoke fresh protests. Page 7

Du Pont's proposed acquisition of Imperial Chemical Industries' nylon business is to be investigated by the European Commission because the deal may distort competition. Page 17

Robert Morley dies
Robert Morley, heavyweight of stage and screen in the UK and US, died after suffering a stroke over the weekend. He was 84. Morley, remembered mainly for comic roles, starred in 100 plays and 50 films. His films included The African Queen, When Eight Bells Toll and Those Magnificent Men in Their Flying Machines.

Soviet N-sub blast: An explosion aboard a Russian nuclear-powered submarine killed an officer and injured five crew members. It was the latest in a long series of accidents aboard Soviet-built nuclear submarines.

Former communist elected: A broad cross-party coalition elected Giorgio Napolitano, a veteran former communist and member of the Party of the Democratic Left, as Speaker of Italy's chamber of deputies. Page 3

Oil prices topped $21 a barrel for the first time in seven months, renewing the rally sparked by the decision of Opec to leave output unchanged for the third quarter. Brent crude for July delivery gained 30 cents to close at $21.05. Page 26

Hongkong Telecom's monopoly of Hong Kong's domestic telephone network will end in 1995 when its franchise expires, but the Cable and Wireless-controlled group will keep its profitable international monopoly. Page 7; London market, Page 31

General Electric of the US has won a contract worth more than $150m to equip a power plant at the Isle of Grain in Kent, close to the mouth of the River Thames. Page 9

Derby win for Dr Devious: The 8-1 second favourite Dr Devious, ridden by John Reid, won the Epsom Derby. Favourite Rodrigo De Triano, ridden by Lester Piggot, finished ninth.

STOCK MARKET INDICES

FT-SE 100:	2,680.9	(-25.0)
Yield	4.58	
FT-SE Eurotrack 100	1,186.81	(-13.46)
FT-A All Share	1,299.93	(-0.8%)
Nikkei	18,188.68	(+63.13)
New York: lunchtime		
Dow Jones Ind Ave	3,399.99	(+3.89)
S&P Composite	414.06	(+0.56)

US LUNCHTIME RATES

Federal Funds:	$3\frac{13}{16}$%
3-mo Treas Bills: Yld	3.797%
Long Bond	$101\frac{1}{4}$
Yield	7.884%

LONDON MONEY

3-mo Interbank	$10\frac{1}{16}$%	(10%)
Liffe long gilt future:	Sep $98\frac{17}{32}$	(Sep $99\frac{5}{8}$)

NORTH SEA OIL (Argus)

Brent 15-day (July)	$21.125	(20.8)

Gold

New York Comex (June)	$338.7	(339.3)
London	$339.5	(338.75)

STERLING

New York lunchtime:		
$	1.8163	
London:		
$	1.8165	(1.825)
DM	2.915	(2.935)
FFr	9.8175	(9.85)
SFr	2.67	(2.665)
Y	232	(232.75)
£ Index	92.4	(92.7)

DOLLAR

New York lunchtime:		
DM	1.6055	
FFr	5.4075	
SFr	1.4715	
Y	127.77	
London:		
DM	1.6045	(1.6075)
FFr	5.405	(5.3975)
SFr	1.4695	(1.4605)
Y	127.75	(127.5)
$ Index	63.2	(63.1)

Tokyo close Y 128.9

Austria	Sch30	Hungary	Ft162	Malta	Lm0.50	S.Arabia	SR9.00
Bahrain	Din1.000	Iceland	IKr180	Morocco	MDh11	Singapore	S$4.10
Belgium	BFr60	India	Rs20	Neth	Fl 3.50	Spain	Pta200
Cyprus	C£1.00	Indonesia	Rp3800	Nigeria	Naira20	Sweden	SKr14
Czech	Kcs35	Israel	Shk5.50	Norway	NKr15.00	Switz	SFr3.00
Denmark	DKr14	Italy	L2500	Oman	OR1.20	Thailand	Bht60
Egypt	E£4.00	Jordan	JD1.20	Pakistan	Rs35	Tunisia	Din1.000
Finland	FM10	Korea	Won 2500	Philippines	Pso45	Turkey	L6000
France	FFr8.50	Kuwait	Fils.500	Poland	Zl 18,000	UAE	Dh9.00
Germany	DM3.30	Lebanon	US$1.25	Portugal	Es190		
Greece	Dr250	Lux	LFr60	Qatar	QR10.00		

Shocked leaders search for solution to crisis after Danish referendum rejects treaty

EC to press on with Maastricht

By David Gardner and David Buchan in Brussels and Our Foreign Staff

EUROPEAN Community leaders vowed to press ahead with ratification of the Maastricht treaty yesterday, in shocked but determined response to the "No" vote in Denmark's referendum on Tuesday.

Although heads of government expressed their determination to complete ratification by the end of the year, they were still trying to fathom the legal implication for a treaty which requires ratification by all 12 member states.

"We are in big trouble," a senior German official said. "It will take very careful and skilful management to get Maastricht adopted," a senior Commission official said.

The next steps will only become clearer today when foreign ministers meet in Oslo at a Nato meeting to hear whatever solution to the impasse Denmark itself has to propose.

EC leaders took a tough position on the Danish vote. Mr Joao de Deus Pinheiro, foreign minister of Portugal, which holds the EC presidency, said "there is strong unanimity that the Eleven should go ahead, without any hesitation, to fulfil the obligations they set out" at Maastricht.

He insisted "there is no room for renegotiating" the treaty which took more than a year to finalise. He added that "one cannot imagine that a country which does not share the fundamental objectives of the Community can continue to be a member state".

Mr Jacques Delors, EC president, speaking after an emergency session of the European Commission, called for other member states to ratify Maastricht within the agreed deadline of the end of this year.

The Danish vote, he warned, would have "consequences, not only for the community itself, but for Denmark and the Danes, and also for the prospects of enlarging the Community".

Mr Robin Leigh-Pemberton, governor of the Bank of England, said the Danish vote might delay the movement towards economic and monetary union, but that "we will probably get there". Mr Jacques de Larosière, governor of the Banque de France, said the outcome meant that EC members had to "go more quickly to ratification of Emu".

Mr Helmut Schlesinger, president of the Bundesbank, said work on moving towards monetary union by the central bank governors would continue.

There were swift responses from the main capitals of Europe yesterday morning.

● President François Mitterrand announced France would press ahead with ratification as planned and would submit it to a popular referendum.

The announcement was evidently precipitated by the Danish vote, though most observers have long expected that the president would hold a referendum in the autumn, as the culmination of the ratification process.

The French parliament is revising the constitution to accommodate the Maastricht treaty, and President Mitterrand insisted that this parliamentary process should continue as planned.

● Chancellor Helmut Kohl said renegotiation of the treaty was out of the question, and insisted that Germany and the rest of the EC should press ahead with ratification regardless.

In a joint statement, he and Mr Mitterrand declared their determination to press ahead towards European union "consistently and without wavering". Yet senior German officials admitted that they could see no way to pass the treaty into EC law without the unanimous approval of all 12 member states.

"This amounts to an amendment of the Treaty of Rome, and it is bound by Article 236. That means unanimity," one diplomat said. "There is no way round it. We need to work out something which will allow the Danes to go back to their parliament, and if need be, to the Danish people.

"We cannot play around with the text of Maastricht. If we do that, we open up a Pandora's box. If we don't, we still have to try to accommodate Denmark, which seems impossible without a thorough re-examination of the text. It is Catch 22."

Germany's own ratification process is bogged down in negotiations between the central government and the 16 federal states, which want an equal say on any further transfer of sovereignty to the EC.

● Mr John Major, the UK prime minister, flatly rejected calls from Conservative and Labour Euro-sceptics for a referendum on the agreement. He pledged to press ahead with ratification despite signs that Denmark's vote could spark a large rebellion by Conservative MPs.

Mrs Margaret Thatcher, his predecessor, hailed the result of the Danish referendum as a triumph for democracy.

● Denmark yesterday called for an extraordinary meeting of EC foreign ministers to consider the consequences of the Danish rejection. Mr Poul Schlüter, the prime minister, will fly to Lisbon today to explain Denmark's position to the Portuguese government.

Mr Schlüter said that despite the vote against Maastricht, an overwhelming majority of the people wish for continued membership of the EC.

After meeting leaders of other parties in the Folketing, he emphasised that the voters' rejection of the treaty was the basis on which Denmark would now base its future policies.

In addition to today's emergency session in Oslo, it is also possible that the Lisbon summit, scheduled for June 26-27, may be held earlier.

The over-riding challenge for EC leaders is to seek a legal framework which can both keep Denmark in the Community and save the Maastricht treaty.

One extraordinary option, mooted by some EC legal experts, is for the Twelve to formally renounce the Treaty of Rome, whose substance Denmark's 11 partners would convert into a new treaty amended by Maastricht. This would leave Denmark sharing most of this new European Union constitution with the others, but leave it, strictly speaking, as the only remaining member of the EC.

EC president Jacques Delors said the vote would have consequences for the prospects of enlarging the Community

D-Mark benefits from disarray in markets

By Emma Tucker, Sara Webb and James Blitz in London

FINANCIAL MARKETS across Europe were thrown into disarray yesterday after Denmark's surprise rejection of the Maastricht treaty.

The D-Mark was almost the only beneficiary of the turmoil as the German currency reasserted its traditional role as the anchor of the European Monetary System.

European government bond markets suffered especially big losses as investors reasoned that prospects for convergence for inflation and interest rates across Europe had been diminished.

As dealers sold other European currencies for the D-Mark, the German currency rose sharply, benefiting from the Bundesbank's reputation for keeping down inflation. Sterling, the French franc and the Italian lira suffered the worst losses.

"Political confusion has fed into the markets. People have rushed into a safe haven, and the safe haven in Europe is still clearly the D-Mark," said Ms Ruth Lea, UK economist at the London office of Mitsubishi Bank of Japan.

In government bond markets, high-yielding securities such as stock issued by the Italian and Spanish governments were among the hardest hit. Ecu bonds fell by 1.5 points, while UK gilt-edged securities finished 1 point lower.

Sterling lost two pfennings in London to close at DM2.9150. It moved below the lira to finish second from the bottom of the European Monetary System grid, above the Danish krone.

The Bank of Portugal was forced to intervene in the markets after it appeared that the Danish currency, the weakest currency in the EMS, might fall below its permitted lower limit.

The bank sold escudos, the strongest currency in the system, for D-Marks in a technical manoeuvre to ease strains within the grid. This was the first such intervention by an EMS central bank in four months.

The Danish authorities raised money market rates by 0.65 points to slow the krone's descent. Denmark's currency closed at around DKr3.8650 against the D-Mark, after trading at around DKr3.840 on Tuesday.

European stock markets fell after France announced it was to call its own referendum on the treaty. The Paris bourse was hit hard, with shares falling 1.6 per cent on the day. In London, the FT-SE 100 index dropped 25.0 to close at 2,680.9.

Top banker latest casualty in Indian securities scandal

By Richard Waters and R.C. Murthy in Bombay

THE CHAIRMAN of India's largest bank became the latest casualty of the country's widening securities scandal yesterday after the bank was fiercely criticised in an official report.

The report, published by the Reserve Bank of India, the central bank, said funds had been diverted from the banking system through "massive collusion" between banks and brokers. The scandal has exposed banks to losses of as much as Rs30.8bn ($1.1bn).

Mr M.N. Goiporia, chairman of State Bank of India, was not personally named in the report. But he was told by the Reserve Bank to go on holiday until the end of next month. His retirement had been scheduled for July 31.

The report, from a committee appointed by the Reserve Bank and headed by its deputy governor, Mr R Janakiraman, said the State Bank had allowed Mr Harshad Mehta, the broker at the centre of the scandal, to use the bank's securities account with the central bank "virtually ... as if it is [his] investment account".

The bank had channelled Rs170bn of transactions through Mr Mehta in the nine months to the beginning of April.

Last month another senior State Bank official, deputy managing director Mr C.L. Khemani, was also asked to go on leave indefinitely. State Bank, a state-owned commercial bank, accounts for about one-third of commercial banking assets in India.

Standard Chartered, the UK-based international bank, said yesterday that it expected to recover most of the Rs10.55bn which the Reserve Bank says is its exposure to the affair.

The Reserve Bank report was critical of another foreign bank, ANZ Grindlays, for paying cheques totalling Rs5bn, which were made out in its own name, into an account belonging to Mr Mehta.

Grindlays is refusing to refund the money to the National Housing Bank, which had issued the cheques, claiming that it had acted in line with normal market practice.

The banks' potential losses stem from India's loosely regulated interbank market. Banks have grown used to issuing receipts to each other to guarantee the delivery of securities, and these receipts have become traded between banks.

The Reserve Bank's investigation found that many receipts were issued without securities backing them, or were forged by brokers.

Both Grindlays and State Bank have been told by the central bank to make provisions against claims they face over cheques they paid into Mr Mehta's account. Grindlays has refused, though its position could become more difficult if State Bank – itself a 90 per cent-owned subsidiary of the Reserve Bank – complies.

India's opposition parties made clear yesterday that they would launch an assault on the government over the affair when parliament reconvenes next month.

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Promise outweighs pain for suffering Czechs

Republic's voters set to back prosperity through continued economic reform, writes **Anthony Robinson**

FROM the grimy industrial town of Teplice, just 20km from the German border, elections this weekend to the parliament of the Czech republic look like a one-horse race.

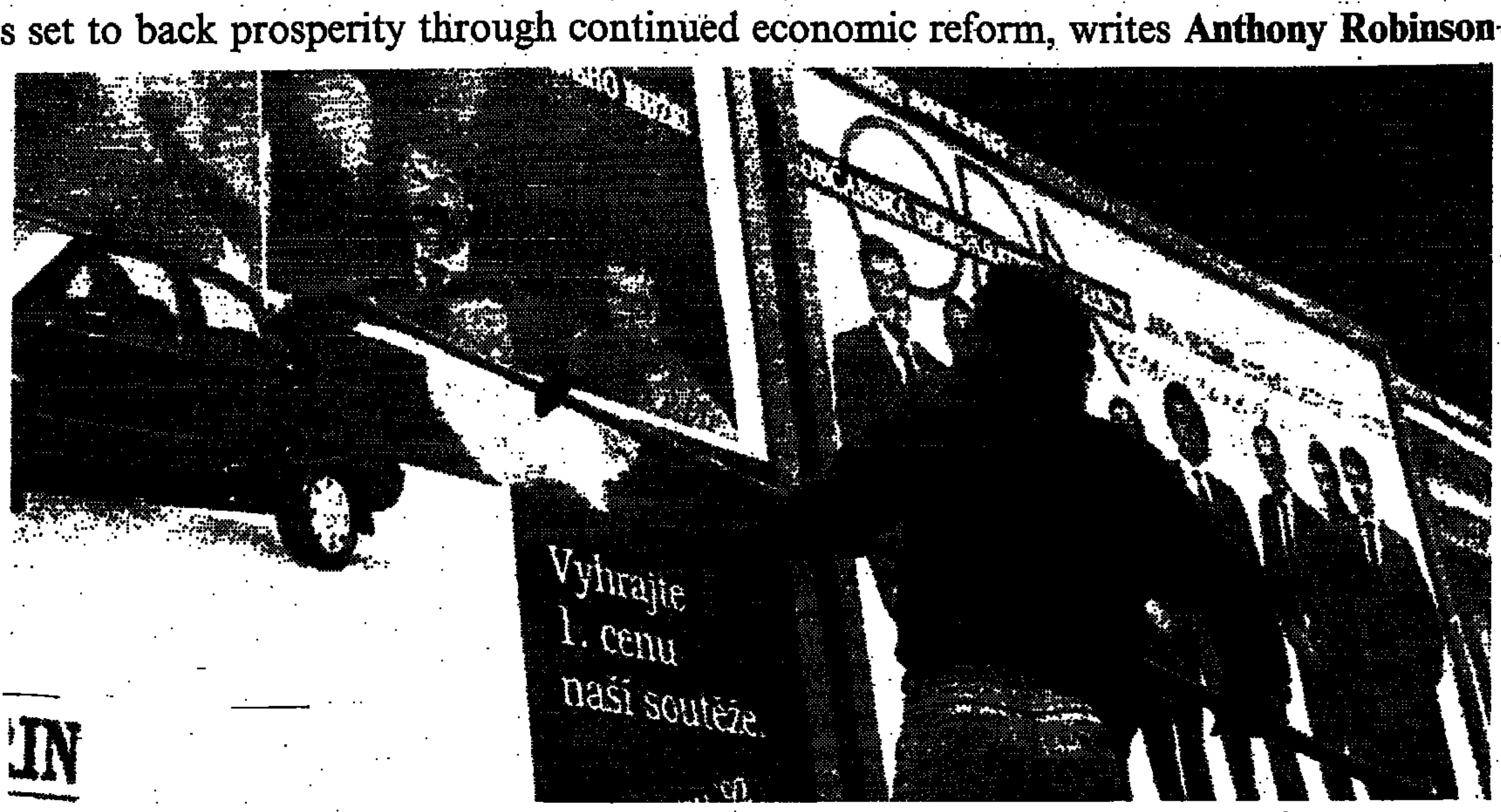
Larger than life-size portraits of a sternly paternal Vaclav Klaus, federal finance minister and leader of the Civic Democratic Party (ODS), dominate squares and billboards. The local ODS party offices, in the turret of a heavily German-baroque mansion, are staffed with two paid officials and equipped with computer terminals, fax machines and copiers.

Across town a battered red tin sign marks the closed campaign offices of the communist party, led by Mr Jiri Svoboda. Next door a sign on the social democrat office, in a similarly run-down block, says it keeps regular office hours but is also closed.

The former Palace of Culture has been converted into the Palm Beach Disco, and Czech and foreign cars line the streets. But there are complaints that life has got harder and people less friendly since market reforms brought higher prices, rising unemployment and unaccustomed insecurity.

Time after time, however, after complaining bitterly, people like Mrs Vera Vachudova, with two small boys and a husband now self-employed after losing his job, said they would vote for Mr Klaus as "the man who will make things better".

In Prague and the other big towns and cities "left-wing" parties such as the communists and the social democrats led by Mr Walter Komarek are expected to gain about 10 per cent of the vote each, reflecting historical allegiances dating back to the pre-war republic. But if Teplice and the other smaller industrial towns are any guide, voters in the Czech lands seem likely to vote decisively in favour of persevering with the painful economic and social changes which bring with them the promise of future prosperity and re-integration into Europe.



Out of the picture: A worker covers up election posters in Prague with commercials as the campaign ends for the general election on June 5 and 6

Czechs and Slovaks will be voting this weekend both for republican parliaments and a new federal parliament. The results are being watched for signs of a possible split between the two regions as Slovak politicians make louder noises about breaking away from the federation.

Around Teplice, in the former Sudetenland, annexed by Hitler after the 1938 Munich agreement and forcibly cleared of ethnic Germans after the war, the full ugliness of Soviet-style economic planning is clear.

The valleys are choked with fumes from hundreds of tall chimneys that have reduced life expectancy to four years below the national average and killed forests in the hills which mark the German borders. Once elegant city centres have been allowed to crumble.

It is difficult to detect nostalgia for the old regime or much interest in the "third way" gradualism and mixed economy thinking espoused by social democrat Mr Komarek.

Over the last two years the number of heavily laden trucks thundering past the town to and from the German border, and entry into the EC market, has risen dramatically. One of the town's biggest employers, Sklo-Union, the country's biggest glass company, was one of the first state enterprises to form a joint venture with foreign investors. The company, now 67 per cent owned by Glaverbell, a Belgian glass company controlled by Asahi glass of Japan, has cut 1,500 jobs but invested heavily and raised sales by 25 per cent.

Success stories such as this have made north and western Bohemia prime areas for foreign, largely German, investment. For voters here, an election result that reassures foreign investors and guarantees future prosperity appears to be more important than the question of future relations with far-off Slovakia.

In Prague, Mr Vladimir Dlouhy, the federal economics minister who heads the Civic Democratic Alliance (ODA), expects to form a market reform orientated coalition government with Mr Klaus's party and others after the elections. He says that the crisis over Slovak demands for greater national sovereignty is largely due to mistakes by Czech politicians.

"I think we would live better if we stayed together. But it would be better to arrange a civilised divorce than an unworkable federation," he argues in a way which reflects a growing Czech willingness to contemplate a split which public opinion polls show the majority of Czechs and Slovaks still oppose.

Ukraine to end credit guarantees from July

By Chrystia Freeland in Kiev

THE Ukrainian National Bank plans from July 1 to end government guarantees on enterprises' payments from creditors, in a major step forward in piecemeal efforts at market reform.

The move, which is scheduled to coincide with Ukraine's new law on bankruptcy, is backed by parliament.

It comes as part of an effort being made by Mr Vadim Hetman, the tough new head of the Ukrainian National Bank, to end a practice which has allowed Ukrainian enterprises to rack up a Rouble546bn internal debt.

Under the current system, when purchasers do not pay, sellers are compensated with credit issued by the National Bank.

Moreover, according to Mr Hetman, Russian enterprises have amassed a one trillion-rouble debt to Ukrainian enterprises, although other government officials concede that the size of the debt between Ukraine and Russia depends on whether it is calculated in 1991 or 1992 prices.

At the most recent meeting of the leaders of the members of the Commonwealth of Independent States, Ukraine pressed for an assessment and settlement of inter-republican enterprise debt, but the proposal was rebuffed by Russia.

Mr Hetman said that debts between Ukrainian enterprises and debts between Ukraine and all CIS republics, with the exception of Russia, will be calculated at a meeting on June 11 and 12.

Moscow short-list for central bank post

By Leyla Boulton in Moscow

FOUR candidates are being considered for what must be one of the most uncomfortable seats in the Russian leadership: the post of central bank chairman. The choice is likely to be made within the next two weeks.

Mr Alexander Pochinok, chairman of the parliamentary commission which will examine the candidates, said yesterday the four were Mr Viktor Gerashchenko, ex-chairman of the Soviet central bank; one of his deputies, Mr Valerian Kulikov; Mr Boris Fyodorov, the radical former Russian finance minister; and Mr Yakov Dubinetsky, chairman of one of Russia's state-owned banks, Promstroibank.

His revelations came as Mr Gyorgy Matiukhin, the central bank chairman who announced he was quitting on Monday, angrily accused parliament of looking for "somebody who would bow either to the president or the parliamentary speaker".

"I'm not that kind of man," he said in an angry defence of his record in parliament yesterday. His departure, which he ascribed in part to "shattered nerves", came just as the government had come to accept him as the lesser of possible evils for his stubborn defence of a relatively strict monetary policy.

The key job has become vacant at a critical time for the market reforms launched in January by Mr Yegor Gaidar, the first deputy prime minister. Six months on, it is not clear how hard either President Boris Yeltsin or Mr Gaidar – having given up so much ground to opponents of radical reform – will fight for a candidate of their choice.

Even when the job was not vacant, the government had been pushing for Mr Fyodorov, who is now working for the European Bank for Reconstruction and Development in London, to take the job. Mr Fyodorov, who resigned from an earlier Yeltsin administration, in December 1990, on the grounds that the Russian leader was not serious about market reforms, was also rumoured in parliament yesterday to be President Yeltsin's favourite.

But Mr Pochinok appeared yesterday to damn him with faint praise. "Fyodorov is part of a new wave, very talented, but with less experience. He lacks contacts inside the country and is somewhat withdrawn from domestic affairs," he said last night. Mr Fyodorov will be pressing for full independence to run a tight financial policy – which may not go down well with parliament despite its claims that all it wants is "more information".

Mr Pochinok praised Mr Gerashchenko, for his international and domestic stature, but said he had the disadvantage of being burdened by his past as Soviet central bank chairman (including alleged support for the August coup) – unlike Mr Kulikov.

● The World Bank has agreed a $400m (£222m) loan to Romania to help the country restructure its economy and continue with reforms, the Romanian government said yesterday, writes Virginia Marsh in Bucharest. Japan also intends to lend a further $100m to $150m, it said.

Nato looks at new peacekeeping role

By Robert Mauthner in Oslo

NATO FOREIGN ministers are to meet in Oslo tomorrow to discuss a wider European peacekeeping role for the alliance, in the knowledge that the crisis in the European Community, brought about by Denmark's rejection of the Maastricht treaty, can only enhance Nato's position as the main security organisation for Europe.

As the continued existence of Nato in a post-cold war world is being increasingly questioned, not only in Europe but in the US, western European governments suddenly have to face the likelihood that the demise of the treaty will make it even more difficult than before to work out a specific European defence identity.

The extent to which European defence arrangements should be linked to Nato or the European Community was already the subject of dispute between France and Britain before the Danes administered their knock-out blow to the Maastricht treaty, which provided for a common European foreign and security policy and looked forward to a common defence policy in the longer term.

Nothing can prevent the EC member countries from pursuing their original aim of turning the nine-nation Western European Union into a more effective instrument for their own defence, but the absence of an international treaty framework is bound to take some of the urgency out of their efforts and is likely to sap their determination to overcome disagreements.

The US will quietly welcome the new lease of life that appears to have been given to the alliance.

That will not make it easier, however, for Nato foreign ministers to reach agreement on a wider peace-keeping role.

No-one wants Nato to become "a pan-European policeman," as Mr Douglas Hurd, British foreign secretary, put it this week.

However, the US, Britain and some other European allies want it to answer specific requests to carry out peace-keeping activities by international organisations such as the Conference on Security and Co-operation in Europe (CSCE) and the United Nations.

In sharp contrast to the US, which would like the European members to make a new commitment to Nato so as to justify the US administration's policy of maintaining a military foothold in Europe, France wants any peacekeeping requests to be made to individual member nations' governments and not to Nato as an organisation.

The Nato foreign ministers are also due to sign a new arms-control document, with representatives from the Commonwealth of Independent States, under which the CIS states individually will undertake to carry out the arms cuts agreed by the former Soviet Union when it signed the Conventional Forces in Europe (CFE) treaty in Paris at the end of 1990.

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Russia warns Ukraine on nuclear arms

By John Lloyd in Moscow

MR Andrei Kokoshin, recently appointed Russian deputy defence minister, yesterday warned Ukraine that Russia saw itself as the successor to the Soviet Union in the observance and signature of nuclear weapons treaties. It would also become the only possessor of nuclear weapons among the former Soviet states.

Only Russia, he said, could negotiate further reductions of nuclear weapons with the US and other nuclear states. Asked if he thought the US shared this view, Mr Kokoshin, the first civilian in such a senior post, said: "I hope so."

The issue has been complicated by the statement by Mr Leonid Kravchuk, Ukrainian president, that the US was willing for all four former Soviet states with nuclear weapons on their territory – Russia, Ukraine, Belarus and Kazakhstan – to sign the Start treaty on strategic arms reduction. Mr Sergei Yastrzhembsky, Russian foreign ministry spokesman, said yesterday that he was "unaware" of such an agreement.

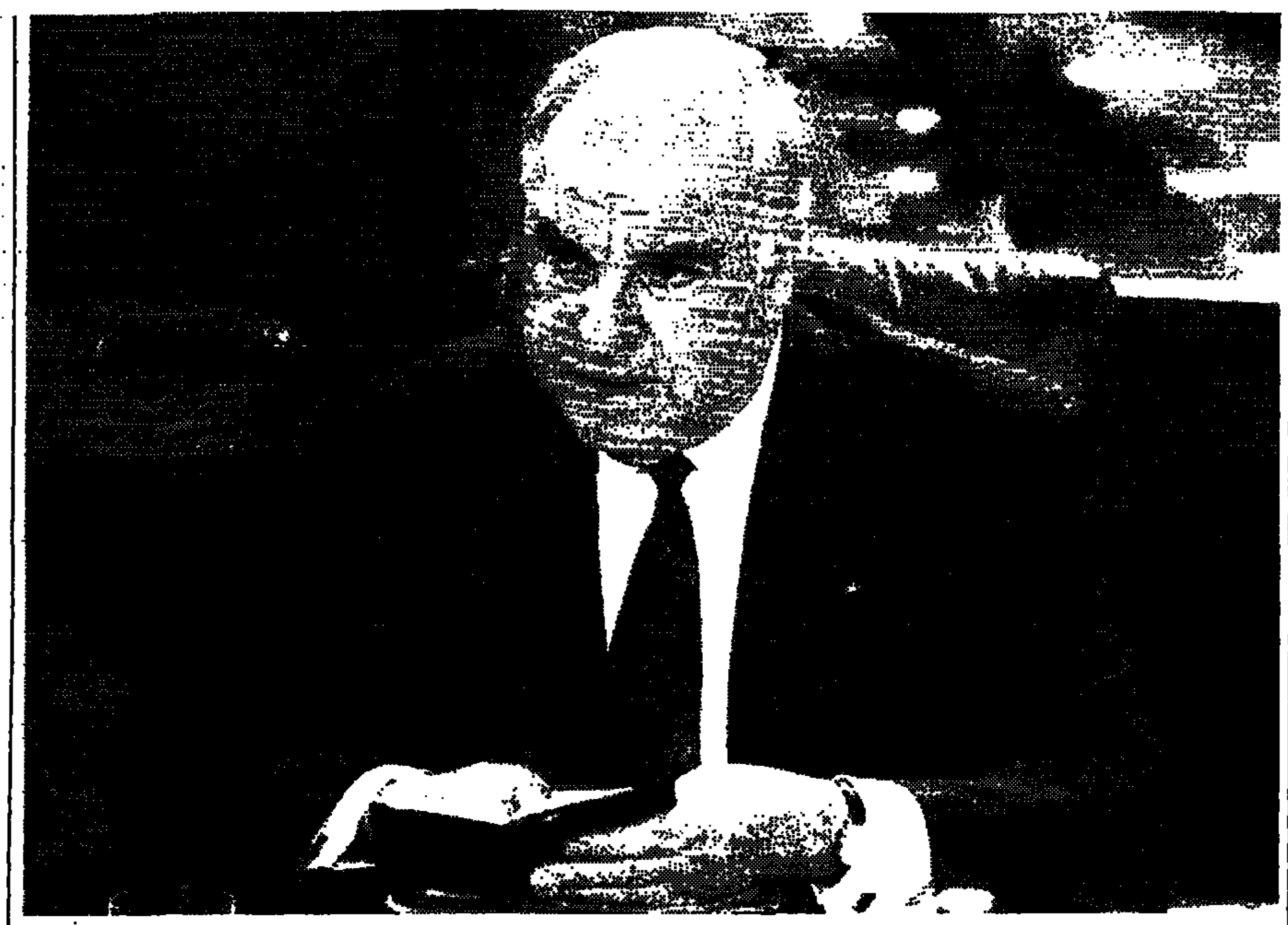
The dispute among the former Soviet states is delaying signature of the Start treaty and the beginning of talks on a Start 2 agreement, which Mr Kokoshin said he was anxious to get under way. "The participation of Ukraine in the Start process would mean that [it] would be regarded as a nuclear state – and that violates the Nuclear Proliferation Treaty, which it says it wishes to sign," he said.

A Start 2 treaty should see much bigger cuts agreed between Russia and the US, he said – as well as between Russia and other nuclear-armed states, such as France and the UK. Mr Kokoshin said the principles of a defence doctrine would be ready in a matter of weeks. They include:

- Russia does not see itself as faced with one potential enemy, or with several, "not even in the south, as some commentators now say" – a reference to fears voiced about the threat to Russia from Moslem states such as Iran.
- The armed forces would play a purely defensive role, though troops formerly trained to operate behind enemy lines in the event of a war in Europe would be redeployed as rapid reaction or rapid deployment forces for emergencies.
- The massive armies presently in the field, a legacy of the Soviet period, would be reformed into army corps and brigades, closer to the West European structure.
- The armed forces would number between 1.2m and 1.5m, moving towards a professional status and recruiting only volunteers.

Mr Kokoshin said that a future army of the Commonwealth of Independent States would be "mixed" in composition. "There will be a Russian army in Russia; there may be Russian troops in other CIS republics; there will be agreements with other CIS armies. We will probably have a basic framework of security, and within that we will have bilateral and trilateral agreements on such matters as bases, stockpiles and training."

He says states which wished nuclear cover could have it provided by Russia – "though they might have agreements with other nuclear states as well".



Chancellor Helmut Kohl checks his diary at the start of the weekly cabinet meeting in Bonn yesterday. The cabinet approved plans to split the federal bureaucracy, sending 10 ministries to the new capital Berlin and leaving eight in Bonn, Reuter reports from Bonn. But it did not set a date for the move, still a controversial issue after being decided last year, or say how much it might eventually cost. The cabinet also agreed to move 16 other federal agencies from Berlin and Frankfurt to Bonn, to make up for the lost ministries, and shift 16 other agencies from western Germany to states in the former communist east. Parliament narrowly voted last year to move the capital from Bonn to Berlin but the issue has been so controversial that backers of the two cities are still debating it.

Small business groups fear Brussels threat

By Charles Batchelor

SMALL business groups around Europe are concerned that the European Commission's enterprise directorate is to be abolished or merged into the industry directorate with the loss of an independent voice for small companies.

A delegation of European MPs and representatives of small business organisations throughout Europe will argue the case for a continued strong voice for small business in meetings with government ministers in Portugal – present chairman of the European Commission – tomorrow.

The European Committee for Small and Medium sized Independent Companies (Europmi) has written an open letter to Mr Jacques Delors, commission president, seeking assurance that the enterprise directorate (DG 23) will not be abolished.

An official of the directorate yesterday denied any knowledge of plans to abolish or merge it but small business organisations believe the directorate is threatened by proposals to simplify the commission structure.

They also suspect that the directorate's monitoring of the impact of proposed EC legislation has angered other departments, according to Mr Brian Prime, president of Europmi and European representative of the Federation of Small Businesses, a UK small firms lobby group.

Small business concerns about the future of the directorate have coincided with a review by independent consultants of the effectiveness of its small business programmes. Their preliminary report is due next month.

While some small business organisations are opposed to any change in the status of the enterprise directorate others would be willing to see it merged with the industry directorate (DG 3) as long as it retained a distinct identity.

"The interests of small and medium-sized companies need to be given more weight in Europe. If this is the best way to do it then I am prepared to consider it," said Ms Kala Paijs, president of the small firms' group of European MPs and a member of the delegation to Portugal.

Ex-communist voted in as Italian Speaker

By Robert Graham in Rome

A BROAD cross-party coalition yesterday elected Mr Giorgio Napolitano, a veteran former communist and member of the Party of the Democratic Left (PDS), as Speaker of Italy's chamber of deputies.

Mr Napolitano, 66, was proposed by the PDS and backed by the Christian Democrats, Socialists, Republicans and Social Democrats. The same alliance – without the Republicans – led to the election on May 25 of Mr Oscar Luigi Scalfaro, then Speaker, as Italy's ninth president.

Despite internal divisions, Mr Achille Occhetto, the PDS leader, thus has led his party twice in recent days into alliances with his former opponents, the Christian Democrats, or rivals, the Socialists. He has said this does not commit the PDS, the second largest party in parliament with 16 per cent of the vote, to form part of the next government. Even so, it has set a precedent.

Another sign of change in the political scene has been a statement by President Scalfaro that he would like the next prime minister to form a cabinet of his own choosing, and not depend upon the traditional dictates of the party bosses. With a new Speaker, the formal consultations to form a new government can now begin.

New turn in Milan inquiry

By Haig Simonian in Milan

INVESTIGATIONS into Milan's multi-billion-lire corruption scandal have taken a decisive turn with the arrival in Rome of legal papers calling for parliamentary immunity for five politicians implicated in the inquiry to be lifted.

The list includes two prominent Socialists. Separately, the alleged role of industrial companies has been highlighted with the decision by Mr Ivo Braglia, head of the transport division of the Italian subsidiary of the Asea Brown Boveri (ABB) engineering group, to testify voluntarily before investigating magistrates.

ABB is one of various big engineering companies which supplied equipment for the city's third underground railway line, one of most important infrastructure projects being investigated by magistrates.

NEWS: MAASTRICHT IN THE BALANCE

Belgium

Mr Willy Claes, the foreign minister, regretted what he called "the very slightly negative result of the Danish referendum." Belgium, he said, "remains committed to pursue, with its European partners, the direction indicated by the Maastricht treaty." Mr Jean-Luc Dehaene, the prime minister, said: "We will just have to sit down and see what we do now." Coincidentally, parliament yesterday began its ratification procedure of the treaty.

Denmark

Mr Uffe Ellemann-Jensen, the foreign minister, said Denmark would seek to renegotiate parts of the Maastricht treaty but was not optimistic about the reaction of its European Community partners. He said he would raise the issue at an EC foreign ministers meeting in Oslo today. Mr Ellemann-Jensen also described the idea of a United States of Europe as nothing more than a "beautiful dream" which could not be realised.

France

President François Mitterrand, a driving force behind the Maastricht treaty, announced that France would hold a referendum on the pact. He said, however, that there was no need to renegotiate the treaty because of its rejection in Denmark. "Eleven of us will do what twelve cannot," he was quoted as saying by government spokesman Martin Malvy.

"Renegotiating the treaty is not necessary at all."

Germany

Mr Klaus Kinkel, the foreign minister, regretted the Danish vote and said that other European Community states must press on with ratification of the Maastricht treaty. Mr Hans-Dietrich Genscher, the former foreign minister and a leading figure in forging the treaty, said it might be possible to offer Denmark special treatment similar to the United Kingdom's opt-out clause relating to the treaty's social provisions.

Greece

The Greek parliament, where the pro-European conservative government holds only a slim majority, has yet to set a date for debate on the Maastricht treaty.

Greeks are overwhelmingly in favour of European political and economic union, according to public opinion polls, but much depends on whether the government can build a consensus on the need to achieve economic convergence within the European Community.

Ireland

The government confirmed that the country's referendum on the Maastricht treaty would go ahead as planned. "There is no question of calling off the June 18 poll," a spokesman said. Nevertheless, the government held emergency talks yesterday in the wake of the Danish vote, and the opposition Labour Party leader Mr Dick Spring was expected to support calls in parliament for a postponement to allow for the situation to be clarified.

Referendum gamble aims to exploit divisions on Europe among France's conservative opposition

Mitterrand raises the stakes

By Ian Davidson in Paris

THE Danish "No" vote is a serious setback for the European strategy of President François Mitterrand – but it is a disaster for France's conservative opposition parties.

As the leading architect of the Maastricht treaty on European union, the president yesterday responded to the Danish vote by raising the stakes in a high challenge.

He promised that French ratification of the treaty would also be through a referendum. Also, in a statement with Chancellor Helmut Kohl of Germany, he reiterated their determination that ratification must go ahead as planned this year.

Their statement confirms the driving role assumed by these two leaders since the Maastricht negotiations started over two years ago. At their last summit, at La Rochelle two weeks ago, they said they were determined that Maastricht should go ahead, whatever the result of the Danish referendum, with 11 member states, or even with 10.

Mr Mitterrand's unhesitating decision to press ahead with ratification could turn out to be a high-risk gamble.

On balance, French public opinion is in favour of the European Community, and recent polls suggest that more French people support than oppose the Maastricht treaty.

But the attempt to force through ratification after it has been rejected by Danish voters, may well agitate public opinion and intensify feelings of anxiety about Europe which have recently appeared.

The regional elections last March revealed a huge increase in votes for various protest parties, from the extreme right-wing National Front to the two ecology parties and the Hunting, Shooting and Fishing party, not to mention the rump of the Communist party.

To a greater or lesser degree, each of these can be classed as anti-European, and together they mustered nearly 40 per cent of the vote. If you add in the anti-European wing of the Gaullist party, and waverers in other mainstream parties, you could reach a total which might threaten ratification in a referendum.

But the challenges and difficulties facing Mr Mitterrand's administration are as nothing compared with the potential political disaster now bearing down on the conservative opposition parties.

They have long been divided on the subject of European integration, there being the pro-Europeans in the Centrist and the UDF parties, and the anti-Europeans in the Gaullist party. Every day, these divisions are being jemmied wider and wider by the Maastricht debate, and the intensification of controversy now in prospect will split them down the middle.

Last month, in the first phase of the Maastricht ratification in the National Assembly, almost all the Centrist and UDF members voted in favour of the necessary reform of the French Constitution – but only five Gaullists did so, while 31 voted against and 88 abstained.

The surprising thing is that the anti-Europeans in the Gaullist party are so passionate in their hostility to the Community, that they do not seem to realise that the Maastricht treaty has become the central weapon in President Mitterrand's strategy to regain political ground from his conservative opponents.

The essential significance of Maastricht for Mr Mitterrand is its importance in the new phase of building a more integrated Europe. There is little doubt that the president regards this treaty as the culmination of a long commitment to European integration, and a suitable legacy for the end of his presidency.

But it is also a powerful instrument for waging war against his enemies, because it searches them out where they are most divided. Yesterday, the unconditional opponents of the Maastricht treaty, such as Mr Charles Pasqua and Mr Pierre Mazeaud of the Gaullist party, plus the Communists and the National Front, were all jubilant at the result of the Danish referendum, and demanded that the French ratification be immediately stopped. Mr Jacques Chirac, leader of the Gaullist party, who took refuge in abstention in the National Assembly debate last month, yesterday remained silent.

By contrast, almost all the leaders of the Centrist and UDF parties insisted categorically that the ratification must continue. The only prominent conservative who seemed to show any awareness of the political danger ahead, was Mr Alain Lamassoure, the UDF spokesman on Europe, who urged a meeting between party leaders of government and opposition.

President Mitterrand cannot be sure that there is any way to ratify the Maastricht treaty in its existing terms. Nor can he be sure that he would secure a majority in a popular referendum, though it is likely. But if he keeps up the process of constitutional revision and ratification, he can be fairly sure that by the end of the process, some time in the autumn, the conservative opposition parties will be in tatters.

Bonn anxious that German doubts on Emu may grow

By Quentin Peel in Bonn

THE Danish rejection of the Maastricht treaty was greeted in Germany yesterday with horror and consternation at the consequences – both for the European Community as a whole, and for the German debate on Europe in particular.

Government officials seeking to guide the German ratification process through parliament said uncertainty over the treaty could delay and complicate the German debate.

They could see no legal way the Maastricht treaty, or parts of it, could be approved and enacted by just 11 member states of the EC. The treaty amounts to a substantial amendment to the Treaty of Rome, and that is bound by Article 236 of the treaty, requiring unanimous approval by all member states.

"Someone might get the idea that we could charge ahead with European economic and monetary union (Emu) alone," said one official. "I have been through the text again today, and there are so many references of all kinds to Treaty of Rome institutions – the Council of Ministers, the Court of Auditors and so on – that you cannot hope to divorce the two.

"The deeper you get into it, the more you realise what a quagmire we are in."

Another said: "We are in big trouble. We have to work something out which will allow the Danes to go back to their parliament and if need be, to the Danish people."

Yet Chancellor Helmut Kohl told the German cabinet yesterday that renegotiation of the treaty was out of the question.

Political leaders from all the major parties expressed shock and sorrow at the Danish vote, and urged that the ratification process should press ahead regardless in the other countries, in the hope of finding some way out of the impasse.

Mr Hans-Ulrich Klose, leader of the opposition Social Democrats (SPD) in the Bundestag, said that it was time for "small-minded haggling" over the details of the European integration process to stop, and concentrate on getting the basic guidelines in place.

To that extent, the shock of the Danish vote could help concentrate minds in Germany, where the ratification debate has turned into a struggle for future power between the central government and the 16 German länder (states). The two sides are still locked in negotiations about constitutional amendments to give the states an effective veto on future transfers of sovereignty to Brussels.

The underlying fear in the political establishment is that the confusion will stoke growing German doubts about the wisdom of pressing ahead with Emu and allowing the Deutsche Mark to be subsumed into a single European currency. Although those popular fears are scarcely represented in Bonn, they have been a factor in the drift from mainstream political parties to right and left in recent local elections.

"One factor in the Danish vote was a general disappointment with the politicians," a senior official said. "It was the people who rejected the politicians. This is typical of other countries in the Community – including Germany."

> 'The deeper you get into it, the more you realise what a quagmire we are in'

The official line is clear.

"Now it's up to us," said Mr Dieter Vogel, the government spokesman, summing up a joint statement by Chancellor Helmut Kohl and President François Mitterrand. The two leaders expressed their determination "to realise European union consistently and without wavering," calling on other member states to ensure ratification by the end of the year.

However the German government's draft law on ratification has still not been presented to the cabinet, because of the negotiations with the 16 states. Mr Vogel said yesterday that differences remain. At the heart of the debate is the extent to which the government will give away effective control over future foreign policy to the states.

The 16 states have the power to block ratification of the treaty if they do not get their way. The German constitution must be amended, and that means winning a two-thirds majority in the upper house, the Bundesrat, where the states are represented. Hence the need to do a deal.

"The Danish vote certainly changes things," says one political adviser. "We are negotiating with the prime ministers about some very fundamental changes in the structure of the state. Some people may argue now that if Maastricht is in doubt, why should we go so far to change our constitution."

Irish PM calls for greater push to win vote

By Ralph Atkins in Dublin

THE Irish government yesterday confirmed that the country's referendum on the Maastricht treaty would go ahead as planned on June 18.

Mr Albert Reynolds, prime minister, called for a "redoubling" of efforts to secure a "yes" vote, warning: "The attention of Europe will be on us."

He said that the crisis over the treaty was "a Danish problem", but it was clear that the government fears Ireland would lose by a collapse of the treaty.

Ministers are hopeful that a mechanism for going ahead with most of its proposals will be found, without Denmark if necessary. "Clearly our partners are not going to abandon the treaty," Mr Reynolds said.

Although there appears to be no more than a sizeable minority in Ireland against the treaty, the cabinet, which met yesterday, is concerned that a postponement of the referendum would send the wrong signals.

However, Mr Bertie Ahern, finance minister, acknowledged that the Danish "no" vote would "liven up" the Irish debate, which has also become embroiled in a row over the country's abortion laws.

Speaking in parliament, Mr Reynolds expressed "deep regret" at the Danish result and warned that the financial impact on that country, including higher interest rates and a withdrawal of investment funds, could be felt in Ireland if it also voted "no".

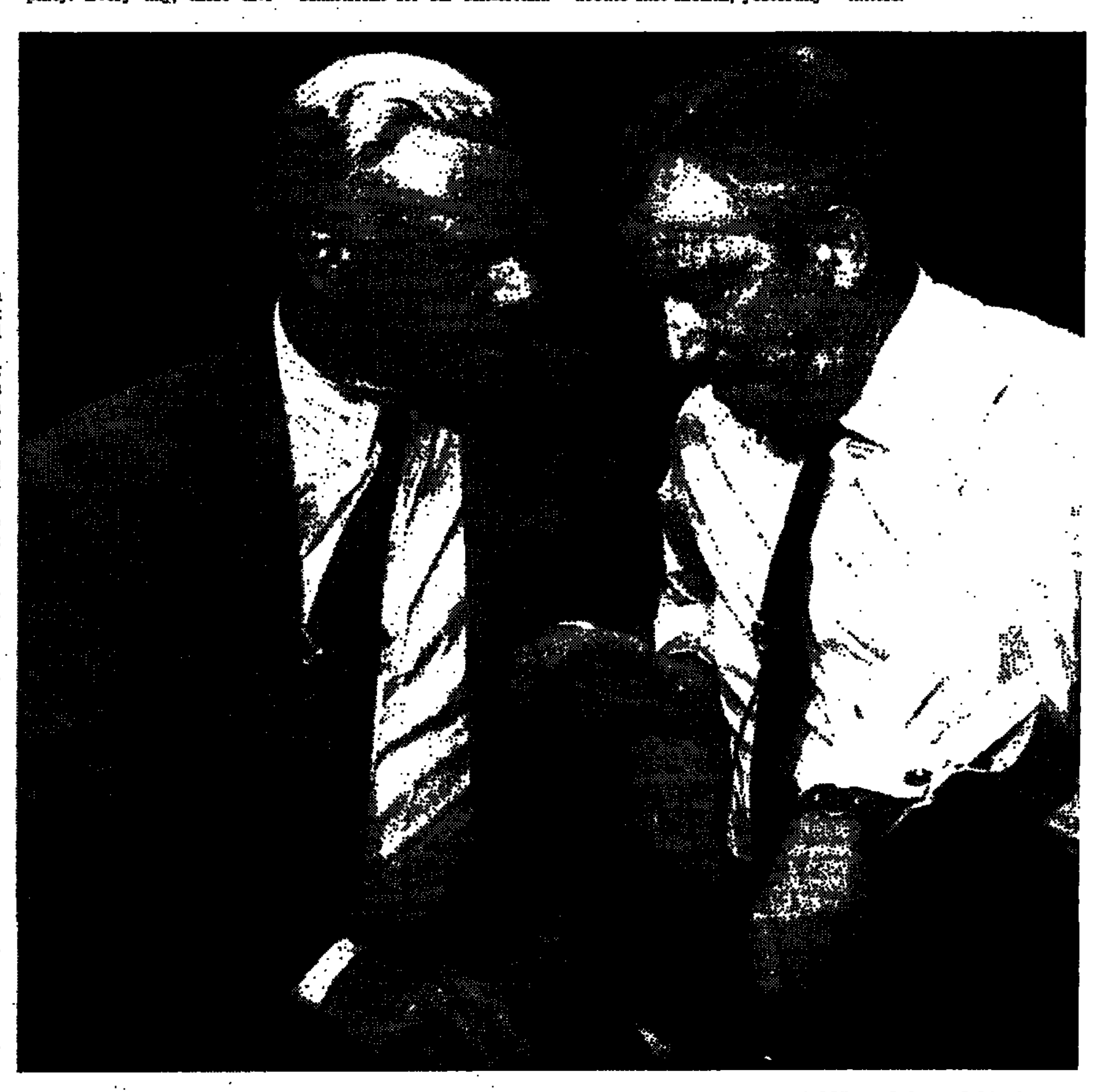
The prime minister added: "A 'no' vote does have serious economic consequences, even for a more highly developed economy than our own. Our essential national interests have not changed overnight because of the Danish result."

Ireland stands to receive cohesion funds worth about I£6bn (£5.45bn) over five years through the Maastricht treaty. Ministers are anxious that negotiations on the funds continue.

Mr Reynolds said he could not over-emphasise how a resounding "yes" would enhance Ireland's standing in Europe and its negotiating position.

"The European union treaty, and our full participation in it, will provide major benefits for us, such as a boost to economic growth, more jobs, narrowing of disparities in living standards, improvements in workers' and womens' rights, protection of the environment, as well as a strengthening the community's role as a core of stability in Europe."

Mr John Bruton, leader of the opposition Fine Gael party, backed the decision to go ahead with the June 18 poll and said that a re-negotiation of Maastricht would be unlikely to work to Ireland's advantage.



Two men at the heart of the Community's crisis, Denmark's prime minister, Poul Schlüter, left, and his foreign minister Uffe Ellemann-Jensen, in discussion yesterday

Major becomes treaty's champion

By Philip Stephens, Political Editor

IT WAS impossible yesterday to escape an awkward irony for Mr John Major in the decision of the Danish electorate to overturn the Maastricht treaty.

The British government neither sought nor wanted a deal on closer European integration. With a prescience rarely acknowledged at the time, Mr Douglas Hurd, the foreign secretary, argued repeatedly that it was premature to map out in detail the future contours of Europe. Much better to wait until the dust settled on the collapse of socialism.

Mr Major resisted more than any other leader the federalist ambitions of some of his European colleagues. He fought successfully for the intergovernmental structure of the political treaty and for opt-out clauses from economic and monetary union and from the social chapter.

From his perspective the final deal was still imperfect, ceding too much new authority to the European Commission and to the Strasbourg parliament and leaving too many question marks about defence and immigration policies.

In different circumstances Mr Major might have claimed the Danish vote as a vindication of his opposition to the centralising tendency of the European Commission and the more extravagant ambitions of France and Germany.

But once it had been signed, Maastricht was judged an honourable draw which left open the future direction of the Community. Now the government believes that it would have as much to lose as anyone if the accord were to disintegrate.

During April's general election campaign the agreement was paraded as a symbol of Mr Major's leadership. It was the compromise he had secured against the odds. One that would heal the divisions over Europe in his own party which had led to the downfall of Mrs Margaret Thatcher. A re-opening now of negotiations with Britain's partners would threaten a parallel resurgence of the tensions within his own party.

So Mr Major's message to the House of Commons yesterday was that Britain's interest lay in pushing ahead with ratification of the treaty in the hope that a formula could be found to accommodate Denmark's misgivings.

The Lisbon summit would provide the first opportunity, but failing that he would seek to find a solution when Britain took over the presidency in the second half of this year.

Behind the scenes, it was clear the strategy holds considerable political risks for the prime minister.

> A re-opening of negotiations would threaten a resurgence of tensions within his own party.

It was one of those unhappy coincidences of politics that the Danish electorate's decision on the treaty came on the eve of another debate on the agreement in Britain's House of Commons.

Twice since his return from the December summit Mr Major has secured parliamentary majorities for the deal he struck with his European partners. But each successive debate at Westminster has been no less comfortable for that.

The 23 Conservative MPs who last month voted against ratification of the treaty had already planned a campaign of guerrilla warfare to wreck the detailed scrutiny of the legislation scheduled for this week.

Yesterday the rebels were understandably jubilant when Mr Neil Kinnock, the Labour leader, forced a postponement. The prime minister depended for his majority in last month's debate on Labour's decision to abstain. He can no longer be sure that the opposition will hold to that position.

There are signs too that the ranks of the Conservative dissidents may be swelled by silent critics of the treaty who supported Mr Major last month but who now believe he should seize the opportunity to re-open the package.

He cannot expect any help from Mrs Margaret Thatcher. By next week his predecessor will be in the House of Lords, leading from there the call by Euro-sceptics in all political parties for the voters in Britain to be given the same chance to express their view as those in Denmark, Ireland and France.

In a combative performance yesterday Mr Major bluntly rejected the notion of a referendum in Britain, arguing that the issue had been put before the voters in the general election.

He defended Maastricht as a step on the road to a less rather than more centralised Europe. The intergovernmental structures which Britain had secured could well be challenged by others in any new treaty negotiations.

The message from his colleagues was that Mr Major was determined to give a strong lead despite the considerable risk of a much more serious rebellion by Conservative MPs when the legislation returns to the House of Commons.

There was talk also of a silver lining. If Maastricht were salvaged, the Danish referendum would serve as a powerful deterrent to those of Britain's partners pressing for yet another radical shake-up of the Community's institutions.

But Mr Major could hardly have imagined, when he fought so hard for opt-outs from some of the key provisions of the Maastricht, that a few months later he would be obliged to take a lead in attempts to salvage it.

British premier pledges steps to decentralise EC

By Ivor Owen, Parliamentary Correspondent

ANY "substantial renegotiation" of the Maastricht treaty to take account of its rejection by Danish voters was not a practical proposition at present, Mr John Major, the British prime minister, warned yesterday.

He again resisted demands from both sides of the House of Commons for a direct test of the views of the British people by insisting that a referendum would be incompatible with Britain's system of representative government.

Mr Major agreed with Mr Neil Kinnock, the Labour leader, that consideration of the bill implementing the treaty should be temporarily postponed, but rejected demands that it should be dropped altogether. He said "The treaty itself has not changed, and neither has my view of the treaty".

The prime minister made it clear to the apparently increasing number of Tory backbench critics of Maastricht that his view had the support of a united cabinet.

He promised that Britain would use its six months' presidency of the EC, beginning in July, to carry forward the move to decentralisation through increasing use of inter-government agreements not subject to the terms of the Treaty of Rome or the judgment of the European Court. Mr Major emphasised that the treaty provided mechanisms for more broadly based development of the EC.

"The ratification and implementation of the treaty is in our national interest, and we shall continue during our presidency to work for the Community we secured in that negotiation," he said.

Mr John Biffen, MP for Shropshire north and one of the 22 Tory backbench rebels who earlier voted against the second reading of the Maastricht bill, underlined the need for further institutional reform in the EC which enhanced the role of inter-governmental co-operation and, correspondingly, contracted the centralising consequences of the Rome treaty.

The prime minister stressed that it was a British initiative which marked the move away from centralism at Maastricht and assured the House: "There is no doubt that is the direction in which we must continue to move as we take over the presidency."

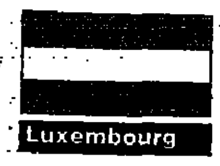
Mr Tony Benn, MP for Chesterfield and a member of the Labour cabinet primarily responsible for securing the referendum on Britain's continued membership of the EC in 1975, said the Danes had "struck a blow for every country in Europe, not just their own".

He forecast that the outcome of the Danish referendum would be seen to have opened the way for a different sort of Europe, harmonising by consent in inter-governmental co-operation and providing the opportunity for a commonwealth of European states rather than a federation.

Sir Edward Heath, the former Conservative prime minister who took Britain into the EC in 1973, praised Mr Major's firm stance. He said "The basic thing for us is to press ahead."

NEWS: MAASTRICHT IN THE BALANCE

Mr Gianni De Michelis, the foreign minister, said that Italy was in principle opposed to the Danish request to renegotiate the Maastricht pact but was prepared to study the proposal. The office of Prime Minister Giulio Andreotti noted the Danish vote "with regret" but said that Italy reaffirmed "its firm determination to carry out new steps forward on the path of European construction according to the same lines traced at Maastricht."



The government, which is expected to achieve parliamentary ratification of the Maastricht treaty after some strenuous debate over constitutional amendments, refrained from official reaction to the Danish vote. One serious uncertainty, however, is the position of the opposition Liberals, since a qualified parliamentary majority is needed, with at least three-quarters of all deputies present, and two-thirds voting in favour.

The Dutch government quietly submitted the Maastricht treaty to parliament yesterday for ratification. "It was just a coincidence that the treaty was submitted today," a Foreign Ministry spokesman said. The treaty, unlike in several other EC countries, has attracted little critical attention in the Netherlands. Parliament is to examine the treaty over the next few weeks but is expected to approve it in early August.

The Foreign Ministry said Portugal, which currently holds the presidency of the EC council of ministers, "will evaluate with Denmark and the other EC partners the consequences" of the Danish vote. Sources in Lisbon said there were plans to convene a special meeting of EC foreign ministers in Oslo today. Parliament is expected to approve the treaty in the autumn, the country's ruling Social Democrats anticipating few problems.

Mr Carlos Westendorp, secretary of state for the EC, said: "When a decision like this occurs, something is happening or, as Shakespeare would say: 'Something is rotten in the state of Denmark'." The Spanish parliament is expected to approve the treaty in the autumn but, meanwhile, is waiting for a court decision on whether the country's constitution will have to altered to allow foreigners to vote or to stand in local elections.

Prime Minister John Major and Foreign Minister Douglas Hurd cautioned the EC against being rattled by the Danish vote. The British government, which takes over next month as president of the EC council of ministers, easily won preliminary ratification of the Maastricht treaty in parliament last month, but Mr Major yesterday postponed a further two-day debate in order to study the implicatiions of the Danish rejection. He rejected calls for a referendum.

No need to block the path to convergence

By Martin Wolf

THE PROGRESS and pace of European monetary union as agreed at Maastricht hangs in the balance following yesterday's vote in Denmark. What need not be threatened, however, *is* closer convergence of European economies.

Even if the Maastricht treaty was not ratified and economic and monetary union did not occur in ways laid out in it, this need not be the end of convergence, exchange rate stability, or even moves towards monetary union.

The exchange rate mechanism of the European monetary system has developed into a durable, fixed rate regime. There has been no general realignment since January 1987.

Inflation rates and differences among interest rates, both short and long, have narrowed considerably. Exchange rate controls have been lifted in virtually every participant in the ERM, the exceptions being Ireland and Portugal. The EC has already gone a very long way towards creation of a fixed exchange rate regime and an integrated capital market, open to the world.

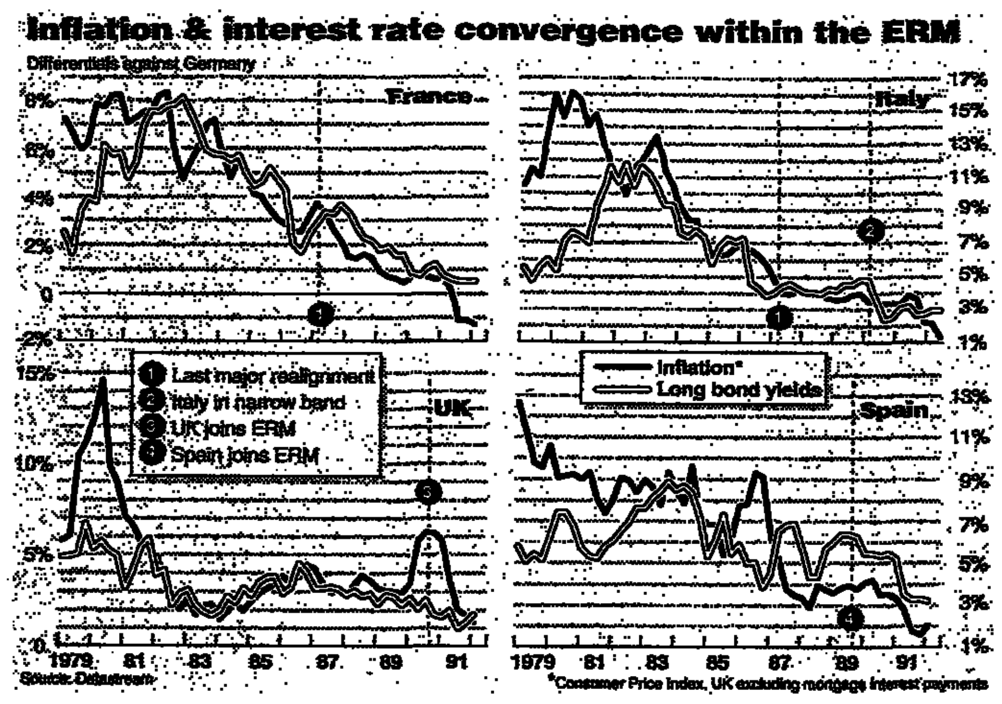
The ERM includes 11 of the EC's 12 member states, Greece being the exception. Eight members are within the narrow 2¼ per cent divergence limits; three – Spain, the UK and Portugal – are within the broader 6 per cent bands. A number of non-EC countries are honorary members of the ERM. Austria is the longest standing member of that club, its currency being pegged to the D-Mark. The Finnish, Norwegian and Swedish currencies are now pegged to the Ecu.

The question is whether the outcome of the Danish referendum could undermine the stability of this creation and, in particular, prospects for further monetary and fiscal convergence.

That it will call both into question is evident. But it may still be possible to cajole the treaty through, though a greater degree of instability is to be expected in the meantime.

But convergence, exchange rate stability and even monetary union could still be attained.

Inflation & interest rate convergence within the ERM



The ostensible determination of most members of the EC to move to Emu became evident only late in the ERM's history. The committee of central bankers under the chairmanship of Jacques Delors, Commission president, that was charged with examining the implications of economic and monetary union, was established by the European Council in Hanover in June 1988.

Thus, much of the inflation convergence occurred before Emu was more than a distant aspiration. In the cases of the UK and Spain, much of that convergence even occurred outside the ERM.

Furthermore, the effects of German unification on German inflation, rather than lower inflation elsewhere, have been among the most important causes of recent convergence.

So long as fixed exchange rates can be maintained, further convergence of inflation can be expected. There is no reason, in principle, why such stability could not be secured. Fixed rate regimes, without exchange controls, have been stable in the past. But they do require a determination to put exchange rate stability above all other objectives in the setting of monetary policy.

Failure of the Maastricht treaty need not affect that determination, provided it has been grounded in a politically entrenched conviction that a policy of low inflation and exchange rate stability, with what such a policy entails for fiscal deficits and public debt, is in the interests of each individual country.

It will make a difference, however, wherever the political commitment to full participation in the evolution of the EC has itself been a principal reason for the economic policy.

Among major countries, France, the UK and Spain must be deemed likely to persist with their already established policies. Italy is a more uncertain proposition, given the scale of the changes required, especially in its fiscal policies, given also the Italian political impasse and the importance of its founder-membership of the EC in Italian politics.

The Maastricht convergence criteria themselves are not precise targets. The pressure any such targets exert need not be much less in the absence of a treaty than in the presence of what was both an ambiguous and unassertive one.

In one area, however, the disappearance of the treaty could make a noteworthy difference. Bond rates. The most peculiar requirement of the treaty is that long term interest rates of countries admitted to Emu should "not exceed by more than 2 per cent that of, at most, the three best performing member states in terms of price stability".

But should participation of a given country within Emu be confidently expected, then such convergence would have occurred long before.

Such a process could be at work now. But evidence for this would be that long term bond rates are *closer* together than inflation, implying an expectation of further convergence and ultimately, Emu.

The opposite is, in fact, the case. Bond rates diverge more than inflation. This being so, any failure of the treaty need have no dramatic effect on the bond market, except where that failure affects underlying inflation performance as well, the main risks once more being in Italy or, of course, in the case of the bond market most exposed to Emu, that for the Ecu itself.

Even if the Maastricht treaty were to fail, that need not be the end of moves to Emu. Either formal treaties or ad hoc arrangements can be made to tie the currencies of member states closer together, though this would depend much on the German attitude to any such arrangement.

Serious blow to bonds market

By Sara Webb

THE market in European government bonds thrived last year on almost one word – convergence. Dealers and investors piled into high-yielding bonds, hoping to benefit from falling inflation and lower interest rates as the high-yielding markets converged with those in Germany. But Denmark's rejection of the Maastricht treaty is a serious blow to such convergence trades.

The European government bond markets were driven upwards in 1991 largely by the convergence argument, and immediately after the Maastricht summit, they rallied strongly.

Investors were eager to put funds into the high-yielding bond markets – such as those of Spain, Italy and Portugal – in the hope of making substantial capital gains as interest rates came down.

However, while many of the market participants were committed to convergence, the European bond markets saw less scope for convergence in much of 1992 for two main reasons – worries about German inflation (and hence the level of German interest rates), and the uncertainty about a change of government in the run-up to the British general election.

Economists point out that, following the Danish referendum, convergence trades will cease until the bond markets have a clearer picture of what happens to Maastricht.

"Obviously the situation is one in which those markets which have been most dependent on the convergence argument are facing the most problems," says Mr Peter Fellner, UK financial analyst at NatWest Capital Markets. "But we don't know yet what is going to replace Maastricht."

Economists expect to see some "de-convergence" of yields now – in other words yield spreads over German government bonds are likely to widen, rather than narrow.

Mr Brian Martin, economist at Yamaichi International in London, says: "Until we get a clearer picture, convergence in the European government bonds will not go ahead and markets relative to bunds (German government bonds) will underperform."

However, he points out that one of the factors which will now hold back the bond markets is the prospect of a realignment in the European monetary system's exchange rate mechanism. While an immediate realignment is not expected, the markets may start to worry about the prospect of a realignment in the longer term.

The politics of union fails to cross big divide

By David Gardner in Brussels

THE MESSAGE from Denmark that was resounding around the European Community yesterday was that governments cannot necessarily deliver what they sign up to with their partners.

The first high-level EC conclave to discuss the fall-out – a solemn, closed session of the European Commission yesterday morning – was under no illusions.

"It will take very careful and skilful management to get Maastricht adopted, to keep going," said one senior Commission official after the meeting.

There are genuine fears in Brussels that the Maastricht treaty could unravel as the ratification process goes on throughout the rest of the Community. The greatest concern is that national parliaments will begin to pick away at the treaty's political union objectives, in some cases because they are too ambitious, but in more instances because they do not go far enough.

The treaty extends and widens the EC's law-making competence, envisages greater use of majority voting (thereby weakening national vetoes), and gives the directly elected European Parliament greater legislative and scrutiny powers. It gives the future European Union a common foreign policy and defence dimension, and foresees greater co-operation on justice matters, ranging from immigration to terrorism.

UK objections to Maastricht's original social policy ambitions led to its 11 partners making separate provisions for more advanced laws through a protocol to the treaty. And in what should become a move towards more federal fiscal arrangements, Spain and the southern countries won agreement for greater transfers from the richer countries.

Mr Joao de Deus Pinheiro, foreign minister of Portugal which currently holds the EC presidency, insisted yesterday: "There is no room for renegotiation" of the treaty. "There is strong unanimity that the 11 should go ahead without any hesitation to fulfil the objectives they set out," he added, a view confirmed by governments in virtually all national capitals. Mr Jacques Delors, Commission president, read a statement calling for ratification of the treaty to go ahead as planned, "in order to achieve the general objectives adopted at Maastricht".

The Commission strategy appeared to be to urge rapid assent in the rest of the EC and then try to get a deal with the Danes. Delay risks the leakage of Danish Euro-scepticism into other countries.

In Germany, there is widespread angst that the D-Mark will be surrendered for a less solid single currency within monetary union, but equal concern that there is not enough democratic accountability in the treaty to compensate the transfer of sovereignty. In France there is concern both about sovereignty and the treaty's granting of the vote to foreigners in municipal and European elections. UK officials say they remain satisfied they got a good treaty at Maastricht, but fear the Danish outcome could fan the embers of Euro-scepticism in the Tory Party.

The Dutch, Belgians and Italians all demanded more powers for the European Parliament. "Some of our MPs will say: 'why not now push our governments to make this or that amendment?'," a Dutch diplomat said.

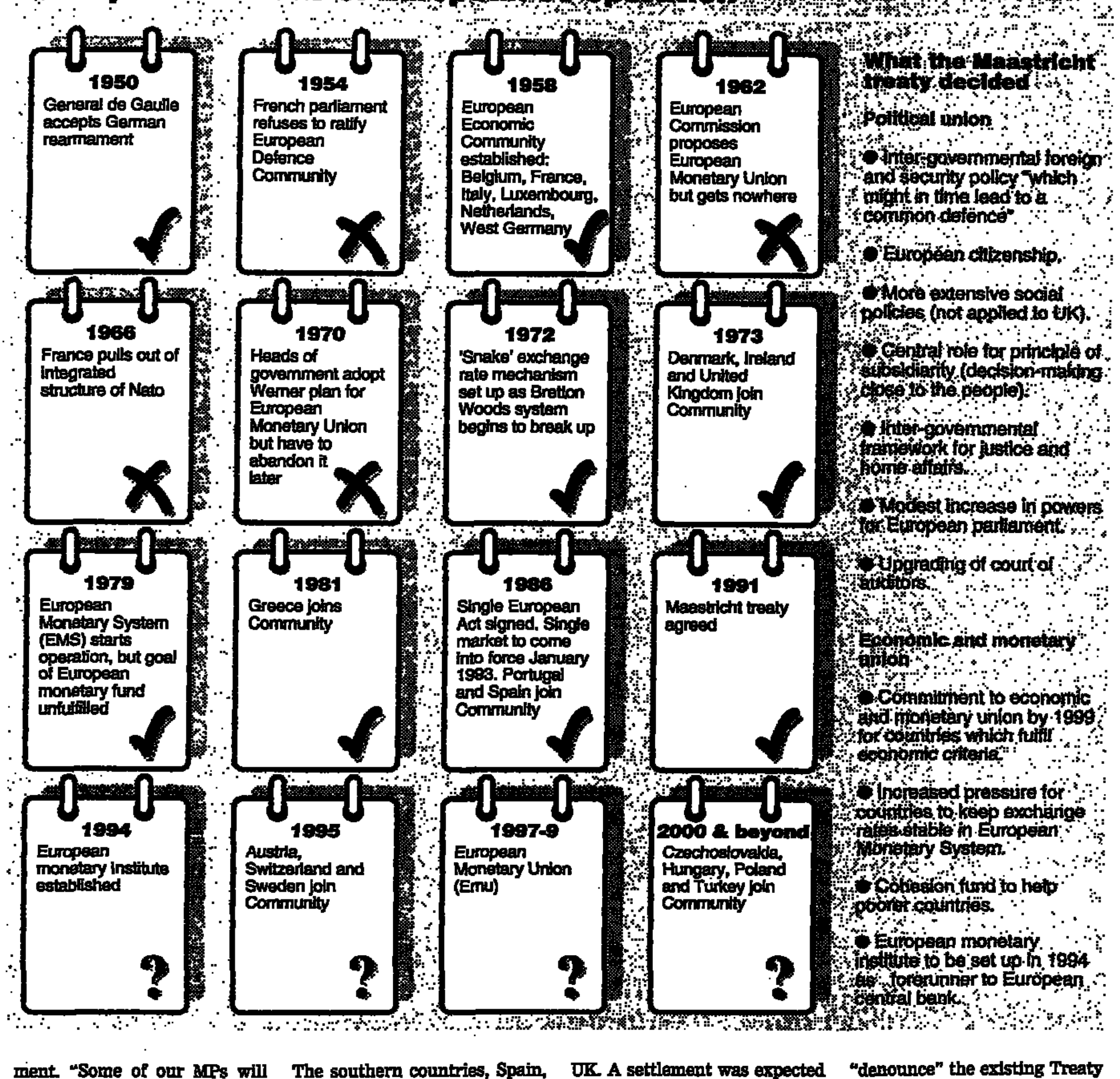
In Ireland, a "yes" vote in this month's referendum would safeguard only an unamended treaty. Any change might risk a new referendum, and provoke collision with the abortion plebiscite later in the year.

The southern countries, Spain, Portugal and Greece, are solidly behind the treaty, but only if it delivers the extra cash it promises but does not detail.

That detail is contained in the "Delors II" five-year finance package for 1993-97, which forsees a 30 per cent increase in EC revenue. The package is stalled by opposition, led by Germany and the UK. A settlement was expected at December's Edinburgh summit under the UK presidency, but the Danish imbroglio now makes that deadline doubtful.

Legally viable solutions to the crisis were being mooted yesterday, starting from the bottom line that the treaty as currently writ requires 12 votes to come into effect. One possibility was that all 12 "denounce" the existing Treaty of Rome, for all except Denmark then to embrace Maastricht, leaving the Danes to decide whether to reaffirm the Rome Treaty or withdraw to the European Economic Area. This treaty comes into effect next year and spreads the EC single market to Denmark's former colleagues in the European Free Trade Association.

The ups and downs of European co-operation



Italian business fears loss of resolve

By Robert Graham in Rome

THE ITALIAN business community yesterday voiced fears the result of the Danish referendum would undermine Italy's resolve to comply with the tough conditions of convergence laid down at the EC's Maastricht summit last December. These fears were immediately reflected in a weakening of the lira.

Official reactions were more muted and there was no suggestion of an Italian referendum, even though it is the Community country most used to referendums. The Maastricht treaty has yet to be ratified in parliament.

The government being only a caretaker, Mr Gianni de Michelis, the outgoing foreign minister, was obliged to speak in a personal capacity, insisting that the Maastricht treaty was irreversible and so Europe had to go ahead as "the eleven".

The Danish rejection of Maastricht comes as Italian politicians are just beginning to recognise that big economic and fiscal adjustments are necessary to bring Italy into line with its main EC partners.

A tough speech at the weekend by Mr Carlo Azeglio Ciampi, governor of the Bank of Italy, warned that the country risked being an obstacle to European integration unless the politicians urgently introduced an austerity package and important reforms.

This speech was widely seen as the agenda for the next government. It is this agenda that is now at risk, according to Mr Innocenzo Cippoletta, director-general of Confindustria, the industrialists' confederation.

"It would be a tragedy if this episode were to be used by Italy as an excuse not to implement the economic policies required by convergence," he said yesterday. It would be all too easy to conclude that Italy did not have to respect all the rules, he added.

The lira yesterday weakened against the D-Mark, moving from L753.4 to above 755. This is the upper limit acceptable to the Bank of Italy; the latter is understood to have intervened by selling D-Marks. The last time the lira touched such levels was in the aftermath of the general election on April 5.

Mr de Michelis said "the path towards integration as eleven" would not preclude Denmark from re-entering, but only on the basis of its acceptance of the Community as it was.

He added that he agreed with France and Germany that negotiations with new prospective members should be accelerated.

Industrialists say vote ignores market realities

By Financial Times Staff

EUROPEAN industrialists, stunned by the unexpected outcome of the Danish referendum, were anxiously seeking yesterday to assess the wider implications for their companies' operations and the future business climate in the Community.

The most dire predictions came, not surprisingly, from Denmark, where Lego, the toy manufacturer, said the referendum outcome had prompted it to postpone a DKr300m (£26.6m) investment in a new factory and education centre in Jutland.

Lego said it feared Denmark would soon have no influence on EC policies, notably in the field of harmonisation. Similar concerns were expressed by Mr Anders Knutsen, managing director of Bang & Olufsen, the hi-fi and television manufacturer.

"Our future growth must take place in markets such as France, Germany, Spain and Italy. If Denmark finds itself having no influence on EC decisions and this has consequences for B&O, we shall have to look at the situation," he said.

Elsewhere, the interest was more in the consequences for the progress of EC integration. In France, Mr François Perigot, chairman of the Patronat, the national employers' association, warned that every day lost on the path to monetary union was "negative for the prosperity, the competitiveness and the development of our companies".

However, Mr Heinz Schimmelbusch, chief executive of Metallgesellschaft, the large German mining and industrial group, who said big European companies were already acting as if the Maastricht treaty had been implemented, stated: "This strategy has created a reality in European corporate life which will not be changed by Danish voters."

Sir Michael Angus, president of the Confederation of British Industry, described the vote as "sad and serious". Though he did not think the situation irretrievable, it was a "warning bell" to Brussels.

But many other senior executives were literally at a loss for words yesterday. Attempts to elicit their views on the significance of the referendum result met repeatedly with the response: "It's far too early to tell."

Nonetheless, except in Denmark, few businessmen appeared to fear any immediate fall-out. Suggestions that the result might slow the pace of cross-border business expansion and takeovers were widely dismissed.

Mr Hans Eggerstedt, commercial director of Unilever, the Anglo-Dutch consumer products group, said the rapid achievement of monetary union had become less important since sterling's entry into the EMS had reduced currency. Opinions were much more divided, however, on whether a prolonged setback to the Maastricht Treaty would weaken the EMS or, on the contrary, encourage EC governments to reinforce the system in an effort to reassure financial markets.

The other principal focus of European business is on the single market programme, due to take effect at the end of this year. It is widely felt that work on the legislation has advanced so far that the programme is unlikely to be weakened, still less reversed.

Nonetheless, some important decisions remain to be taken in Brussels on issues including investment services, capital adequacy and takeover law. Another closely related issue is liberalisation of the energy market, which the UK had hoped to promote strongly during its EC presidency in the second half of the year.

Many businessmen now fear – though some of those threatened by fiercer competition may secretly hope – that these issues will now slip to the bottom of the agenda as the EC struggles to get the Maastricht bandwagon back on the road.

Danes face leaner future within EC

By Robert Taylor and Hilary Barnes in Copenhagen

FOR 20 years the Danes have enjoyed the economic benefits of European Community membership. At the same time they have shown no interest in political integration which would lead to a European union. Having the best of both worlds may prove much more difficult after Tuesday's referendum result.

Not that the Danes want to leave the Community. A Gallup poll earlier this week showed 67 per cent wanting to remain in the EC, with only 21 per cent against.

But there is scant support for any moves towards federalism, a point that Mr Poul Schlüter, the prime minister, was keen to stress in his "Yes to Maastricht" campaign. He told voters that all they were being asked to do was to back further political co-operation.

Mr Uffe Ellemann-Jensen, foreign minister, yesterday described a United States of Europe as nothing more than a "beautiful dream" which could not be realised. Mr Hans Jorgen Nielsen, of Copenhagen's Institute of Political Science, said: "No Danish survey whatsoever has shown sympathy for strengthening supranational institutions or the existence of a European identity."

The voters who said No reflected a cross-section of opinion, stretching beyond protest groups familiar in other anti-EC campaigns. The loss of political sovereignty emerged as a burning issue.

The gender gap was particularly noticeable – nearly 60 per cent of women rejecting the Maastricht treaty. Danish women seem to have been swayed by the argument that a vote for Maastricht would threaten the social welfare system and be a step nearer a European army.

There was a comfortable Yes majority among men. The second largest group of No voters came from supporters of the main opposition Social Democrats. Their recently elected leader, Mr Poul Nyrup Rasmussen, has been attacked for not being effective enough in its Yes campaign. Around 60 per cent of his party's supporters voted No.

A group of No voters, who helped to tip the balance, was identified as fishing communities on the West Jutland coast, once staunch supporters of the EC. They were apparently protesting at what they see as the bureaucratic way in which the common fisheries policy is administered by Brussels.

Opinions differ on the future of Danish politics. The Social Democrats would like to cash in on their supporters' evident disaffection with the government, but the parliamentary balance has not changed and the next general election could be at least two years off.

But Mr Ellemann-Jensen warns: "We have a crisis of confidence between the voters and the political parties." He points out that only a few weeks ago the Danish parliament voted 130-25 in favour of ratifying the treaty.

Mr Nielsen disagrees. "It is hardly a general revolt against the politicians. The parties are not being punished. The Social Democrats continue to be strong." In his opinion the outcome came down to a simple lack of interest among Danes in the outside world.

Right: Celebration outside parliament in Copenhagen after the result.

Pact to limit pension costs hit

By Norma Cohen, Investments Correspondent

THE future of an agreement to limit the cost of equalising pensions for men and women across Europe has been effectively snuffed out by the Danish vote.

The treaty had included a protocol, quietly introduced by the Dutch government, which said that, although companies could not allow women to retire earlier than men and still earn equal benefits, they only needed to do so after May 17, 1990.

On that date, the European Court, in a landmark case known as Barber vs. Guardian Royal Exchange, had ruled that pensions are effectively deferred pay and that companies may not discriminate in pay offered to men and women.

Equalising pensions retrospectively in Britain could have cost up to £50bn, according to industry estimates. In the Netherlands, companies could face a bill of up to £30bn. Belgium and Ireland could face costs of up to £15bn and £500m respectively. Other countries could also be affected.

The protocol provided the narrowest and least expensive interpretation of retrospective payments from the employers' point of view. It meant current pensioners would not be eligible for any enhancement in benefits and a man halfway through his working career would be eligible for improved pension benefits only for the period from May 17, 1990.

If the EC fails to revive the Maastricht agreement, European governments will have to await a decision by the European Court in October, after it has heard a case brought by the trustees of the Coloroll pension fund, along with two other cases involving retired people in Germany and the Netherlands.

That decision will determine the extent to which companies are expected to provide equal pension benefits retrospectively.

Prospect of early entry recedes for Community candidates

By David Gardner in Brussels

THE LIKELIHOOD that the Community would begin opening its doors to new members soon after the Maastricht treaty came into effect next year has been considerably reduced by the Danish vote.

Those member states most committed to European union are also likely to be reluctant to enlarge the EC to include Denmark's Nordic neighbours and Alpine associates within the European Free Trade Association (Efta) – at least until EC integration is further advanced.

While the immediate problem the Community faces is to salvage the treaty, the Danish vote signals the start of battle between the "deepeners" and "wideners" – those who emphasise integration and a more federal union against those pressing for early enlargement, and perhaps dilution, of the Community.

It will be more difficult to argue that the two processes are compatible, given that a solution found to accommodate Denmark opens the way to a "Europe à la carte", in which actual and potential member states can choose what policies they want to be involved in.

There are currently seven formal applicants for EC membership and more waiting in the wings. The Maastricht summit instructed the European Commission to prepare a report on enlargement for this month's Lisbon summit.

The Commission's preliminary conclusions were that the five Efta countries of Austria, Sweden, Switzerland, Finland and Norway (assuming Norway also applies) could be admitted before 1996 – when the EC's next constitutional review is due – provided they accepted current EC law and the "potential" of the Maastricht treaty.

This means accepting not only greater EC powers in more areas (the Treaty of Rome modified by Maastricht and including economic and monetary union), but the two new "pillars" of the union. These cover a common foreign and security policy, leading towards a common defence, and increased co-operation in justice and home affairs, both to be conducted through intergovernmental agreement, but with the likelihood of greater involvement of the European Commission and parliament after 1996.

From next year, the Efta countries will be associated with the EC in the European Economic Area. This all but certifies that these countries' economies are compatible with the EC. But membership would imply accepting the EC's political aims, and in particular abandonment of neutrality traditions common to all Efta candidates except Norway.

For the east Europeans, the situation is reversed. Hungary, Poland and Czechoslovakia now have "Europe agreements" giving them access to EC markets during a 10-year transition towards a free trade regime, and the possibility of membership thereafter.

But while it is agreed that the central European economies could not withstand EC membership in even the medium term, there was always the possibility of easing the long transition by binding them more closely to the Community politically. Mr Frans Andriessen, external affairs commissioner, last year canvassed the possibility of affiliate membership, allowing the central Europeans into the EC's foreign policy deliberations, for example. Yet this already minority position now looks very exposed.

One solution being suggested yesterday for Denmark was the "à la carte" option – "variable geometry" in the EC jargon – which is such anathema to federalists. This would involve Denmark accepting the beefed-up Treaty of Rome but staying out of foreign and home affairs.

But if a special deal is found for Denmark – and this is by no means assured – federalists can be guaranteed to fight to ensure it is a one-off.

A majority of the Commission, and of the member states, with France and Germany at their core, are radically opposed to "variable geometry", and can be relied on to insist that new members sign up for the whole Euro-trip. Even the UK is suspicious of the "à la carte" formula although some British officials talk of "a series of fixed menus".

Mr Jacques Delors, Commission president, yesterday talked of "consequences" for "the prospects of enlargement, at least of the kind we had in mind".

Senior officials translate this to mean no early opening to Efta before the 1996 review. The original case for delay was to enable the EC to streamline its creaking procedures and strengthen its leadership. Leaks indicating that the Commission was considering such options, which would downgrade the position of smaller countries in a larger Community, are considered to have helped fuel the No vote in Denmark.

But the Commission was considering such changes for after 1996, by when the Efta states would be inside the EC, able to take part in shaping institutional reform. The effect of Tuesday's vote is to make that possibility remote.

LEGAL NOTICES

VIEWTEXT LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU, on the 22nd day of June 1992 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if:
(a) they have delivered to us at the address shown above, no later than 12.00 hours on the business day before the meeting written details of the debts they claim to be due, and the claim has been duly admitted under the provisions of the Insolvency Rules 1986 and
(b) there had been lodged with us any proxy which the creditor intends to use on his behalf.

Dated this 2nd day of June, 1992
V. M. Batstow and N. Roddock, Joint Administrative Receivers.
Creditors may obtain a copy of the report, free of charge, on application to the Joint Administrative Receivers at The Galleria, Station Road, Crawley, West Sussex, RH10 1HY

APPLIED TELEMATICS LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU, [illegible]

APPLIED TELEMATICS SERVICES LIMITED
(In Administrative Receivership)

NOTICE IS HEREBY GIVEN pursuant to Section 48(2) of the Insolvency Act 1986, that a Meeting of the Unsecured Creditors of the above-named company will be held at the offices at Robson Rhodes, 186 City Road, London EC1V 2NU, on the 22nd day of June 1992 at 10.00 o'clock in the forenoon, for the purpose of having laid before it a copy of the report prepared by the Administrative Receivers under section 48 of the said Act. The meeting may, if it thinks fit, establish a creditors' committee to exercise the functions conferred on it, by, or under the Act.

Creditors are only entitled to vote if: [illegible]

APPLIED TELEMATICS GROUP LIMITED
(In Administrative Receivership)

[illegible]

COMPANY NOTICES

NOTICE OF ANNUAL GENERAL MEETING OF THE SHAREHOLDERS OF AEGIS (NETHERLANDS ANTILLES) FINANCE N.V.

Notice is hereby given to the shareholders of AEGIS (NETHERLANDS ANTILLES) FINANCE N.V., (the "Company") a corporation organised and existing under laws of the Netherlands Antilles, for a General Meeting of Shareholders to be held on June 26, 1992 at 10.00 am at the registered office of the Company at Polarisweg 35, Curacao, Netherlands Antilles for:
(a) the appointment of Mr R.J. Clark as a managing director of the Company.
(b) the appointment of Mr P.J. Scott as a managing director of the Company
(c) the approval of the 1991 financial statements; and
(d) noting the change of registered address of Aegis Group plc (formerly The WCRS Group plc) to 6 Eaton Gate, London SW1W 9BL

Managing Director

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In accordance with the terms and conditions of the Notes, the interest rate for the period 2nd June, 1992 to 2nd December, 1992 has been fixed at 10% per annum. The interest payable on 2nd December, 1992 against Coupon 1 will be £500.00 per £10,000 nominal.

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PERSONAL

Kenya counts lost years in a tribal wilderness

Hatreds bottled up since independence have been released, write Michael Holman and Julian Ozanne

IN CENTRAL Nairobi a man from the Kalenjin tribe is pulled off the bus by an angry mob and hacked to death on the side of the road. Kikuyu people claim the revenge is justified for the many deaths of their fellow tribesmen killed by Kalenjin warriors in western Kenya. Leaders of the Luhya tribe demand that one of their ethnic group should be Kenya's president. President Daniel arap Moi tells Kenyans to beware of tribal and religious divisions, fuelled by politicians, and reminds them that Yugoslavia has disintegrated because of internal clashes.

Seven months after Mr Moi bowed to international pressure and introduced a multi-party political system the genie of tribalism, bottled up and obscured during the repressive years of one-party rule, has exploded onto the political scene.

Ethnicity and not ideology is now the key to the country's political future and the outcome of the general election expected within nine months.

The Forum for Restoration of Democracy (Ford), an opposition coalition which six months ago offered so much promise, has disintegrated into predominantly ethnicity-based factions and parties while barely a day goes by without violent clashes and deaths. The mounting ethnic fragmentation is threatening the transition to democracy.

The failure of Kenya, after 28 years of independence, to have achieved a sense of national identity and compete in forthcoming polls on the basis of alternative political and economic strategies has raised concern in both government and opposition.

Mr Paul Muite, a senior Ford leader, conceded recently that, despite the hopes of the younger generation of politicians, Ford had no alternative but to base its political campaign on a cynical appeal for tribal votes and alliances. At the other end of the political spectrum one of Kenya's most senior civil servants said his belief in nearly three decades of development and "nation building" had been shattered by the explosion of tribalism. "Ask me what the difference is between all the people running for president in terms of their policies and I haven't a clue," he said.

These rivalries and tensions are exacerbated by the fact that the economy is in severe depression. Gross domestic product growth slowed to 2.2 per cent in 1991, down from 4.3 per cent in 1990 – a real per capita income decline of between 1.5 and 2 per cent.

Tribalist political fears are also intensified by competition for jobs, rising land hunger and a Westminster constitution which, based on a winner-takes-all principle, may be unable to accommodate the concerns of minority tribes being marginalised by political change.

Those fears are particularly pronounced in Kenya given the political tradition that the tribe that has won the presidency has favoured its own. While many countries have pork-barrel politics, in Kenya it extends to the provision of the most basic services such as clinics, schools or roads. Critics argue that President Moi's warning that multi-party politics would lead to tribal rivalry was a self-fulfilling prophecy, claiming that government has instigated the violence in western Kenya that has claimed 300 lives over the past three months. The allegation has been supported by the clergy and opposition politicians. The government denies the charges. Whatever the truth, it is clear that the years since independence have provided only a veneer of a national identity. Fundamental divisions remain.

Furthermore the bitter historical political cleavages of colonial Kenya are beginning to re-emerge. Before independence in 1963 there were two political parties, Kadu and Kanu, which pitted the federalist Kalenjin, Luhya and other minority tribes who feared political submersion against the centralist Kikuyu and Luo tribes.

With Ford looking increasingly dominated by the Luo and the Kikuyu a complex political operation appears to be taking shape led by Mr Martin Shikuku, a Luhya and currently a senior Ford official, to lead the Luhya back to Kanu under Mr Moi, a Kalenjin. Both Mr Moi and Mr Shikuku were leaders of Kadu before the two parties merged at independence.

Part of the explanation to the strength of tribal politics lies in the way political power has been used since independence. In his 14 years in office President Moi first sought to redress the imbalance in favour of the Kikuyu tribe left by former president Jomo Kenyatta. But in the later years of his rule he has turned the Kalenjin tribe from a disadvantaged minority to a dominating élite occupying a disproportionate share of senior government and parastatal jobs which has left the Kikuyu in particular feeling they have been marginalised.

Many Kenyans are coming to realise that before this minority can be persuaded to surrender power through the ballot box it and its allies will have to be convinced that they will not be expelled from the political arena altogether.

Hong Kong to open up telecom market

By Simon Holberton in Hong Kong

HONG KONG is to liberalise the colony's telecommunications market, paving the way for at least a second domestic competitor to Hongkong Telecommunications, the local private monopoly, when its exclusive franchise expires in 1995.

The government has reached agreement with Hongkong Telecom to change the method by which the local telephone company's prices are regulated, a move which will lead to prices rising more slowly than inflation.

Local cellular telephone operators will also have easier and cheaper access to the international telephone call market.

Hongkong Telecom is 58.5 per cent owned by Cable & Wireless of the UK. Last week it reported a 14 per cent growth in net earnings to HK$5.67bn (£407m).

The decision to allow more competition is in keeping with a tougher line the government is taking against monopolies in the colony. Earlier this week it cut the number of exclusive routes operated by China Motor Bus in response to consumer pressure.

Mrs Elizabeth Bosher, acting secretary for economic services, said the new arrangement represented a good deal for consumers in Hong Kong. The opening of the market after 1995 would enable competitors to set up competing networks to provide fixed-link voice telephone services, she said.

Officials said the government had not yet determined whether to open the market to all-comers or to limit it to companies that meet specific requirements.

However, they stressed that the government would not seek to pick winners. "We do not want to take a stake in a new entrant's success," one said.

Mr Michael Gale, chief executive of Hongkong Telecom, said that the new pricing formula would encourage efficiency and innovation.

Thai parliamentary speaker Arthit Urairat announcing his tribunal's decision on the amnesty

Thailand keeps amnesty for shootings

A CONTROVERSIAL amnesty exonerating Thai military officers who ordered last month's shooting of pro-democracy demonstrators remained in force yesterday after the Constitutional Tribunal said it could not make a ruling on the matter, writes Victor Mallet in Bangkok. Gen Suchinda Kraprayoon issued the amnesty covering both demonstrators and the security forces shortly before he resigned as prime minister 10 days ago.

Opposition groups have demanded that army officers responsible for the deaths of at least 49 demonstrators be punished, and they have warned of further turmoil if the amnesty remains. They challenged its legality because it was not issued by the cabinet.

Israel forced to suspend GE deals

By Hugh Carnegy in Jerusalem

ISRAEL said yesterday it would have to suspend new aircraft engine contracts with General Electric (GE), a big supplier to the Israeli air force, following corruption allegations involving GE and Israeli officials.

Israeli defence officials said that new contracts for GE engines would be halted in line with the Pentagon's own suspension of dealings with GE's engines division, announced on Tuesday. Pentagon approval is required for Israeli military purchases in the US under conditions attached to the US aid.

The moves are the latest in a long-running scandal over abuse by Israeli procurement officers of US military aid. The US government has filed charges against officials in GE's engines division, alleging they conspired with Rami Dotan, jailed ex-head of Israeli air force procurement, to defraud the US military sales programme of $40m (£22.2m).

Aborigines achieve land claim victory

By Kevin Brown in Sydney

AUSTRALIAN aborigines yesterday threatened an avalanche of land claims, after a High Court judgment had recognised the existence of land titles pre-dating European settlement in 1788.

The High Court ruled that the Miriam people of the Murray Islands, part of the Torres Strait islands group off the north coast of mainland Australia, had retained ownership of their land under common law.

The court restricted its judgment to the Murrays, and ruled that the concept of "native title" could exist only where such rights had not been extinguished by the government.

However, aboriginal leaders said the judgment challenged the legal status of the Australian government, which relies for its legitimacy on the claim that the country was *terra nullius* when annexed by Britain.

This signifies that the land was effectively unoccupied, or occupied by people who lacked a system of land tenure which would have inhibited annexation and settlement.

The concept is regarded as a significant obstacle to land rights claims by aborigines, who account for less than 1 per cent of Australia's 17m population, but claim ownership of much of the country.

Mr Galarrwuy Yunupingu, chairman of the aboriginal Northern Lands Council, said the federal government would face "a barrage of litigation" unless it moved quickly to negotiate a treaty with aborigines. "The pathetic excuse of *terra nullius* is now dead," Mr Yunupingu said.

The court decision was "a turning point in the history of this country, and it kills off all the nonsense that Aboriginal people don't exist. It sets a whole new precedent for aboriginal people," he added.

Mr David Allen, the Lands Council's senior legal adviser, said "significant numbers" of aboriginal people would have a "reasonable prospect" of succeeding in land claims based on the decision.

Afghanistan factions take civilian hostages

WARRING Sunni and Shia Moslem guerrilla factions took hundreds of civilians hostage in Kabul with Afghanistan's new coalition government apparently powerless to stop them, witnesses said yesterday, Reuter reports from Kabul.

The prisoners were singled out in the street at gunpoint on the basis of their ethnic group and taken to makeshift detention centres scattered around the city, the witnesses said.

Fighters of the Sunni Moslem and mainly ethnic Pashtun Ittehad-i-Islami group took away ethnic Hazaras, who are Shia Moslems, while the rival Hezb-i-Wahdat group seized Pashtuns. Mr Gulbuddin Hekmatyar, hardline leader of the powerful Hezb-i-Islami party, threatened to intervene in the fighting and accused the ruling coalition, which he has not joined, of being weak and incompetent. The crumbling coalition is struggling to impose its authority over about 10 main factions which moved into the city in April after 14 years of civil war.

Taipei go-ahead on nuclear plant

Plans for Taiwan's controversial fourth nuclear power plant were given the go-ahead yesterday, writes Luisetta Mudie in Taipei.

The island's parliamentary budget committee voted to unblock the $300m (£166.6m) funding for the initial stages of construction, which was frozen five years ago amid environmental protests.

Indian missile angers Pakistan

The Pakistani government yesterday expressed its concern over last week's testing of a new 2500km-range missile by India, and described the development as unhelpful for prospects of peace and security in the region, writes Farhan Bokhari in Islamabad. The testing of the Indian missile has already raised concerns among western governments.

Substantial finance is vital to make Earth Summit a success

Italy pushes energy tax to end impasse

By Christina Lamb and David Lascelles in Rio de Janeiro

ITALY will propose a new energy tax at this morning's Earth Summit session in an attempt to resolve what Mr Giorgio Ruffalo, its Environment Minister, calls the "financial impasse" preventing the realisation of conference targets.

Mr Ruffalo said "this conference will not be credible unless serious financial commitments are made. There is a large gap between its ambitious targets and practical ways and means to realise these."

He said he believed the only viable mechanism for the necessary transfer of resources from rich to poor nations was through taxation.

Mr Ruffalo has suggested two alternative proposals. The first is for an extension to all Organisation for Economic Co-operation and Development countries of the European Community scheme to place a $3 per barrel tax on all non-renewable energy sources from 1993, increasing by $1 a year until the year 2000.

This would, he said, yield between $70bn and $200bn a year, which could be used to finance targets agreed at the Earth Summit such as energy saving and technological co-operation with developing countries.

The more modest suggestion is for a $1 per barrel energy tax in all OECD countries, which he said would yield $25bn a year and also reduce carbon emissions by 0.5 per cent.

The money would go into a sustainable development fund. Mr Ruffalo said he has already had a favourable response to his proposal from European colleagues, but admitted "it may not be a proposal for the conference itself but a process which begins here".

He warned that "the proof of the pudding is in the eating and the proof of this conference will be in the willingness of rich countries to provide the huge investments needed by the poor to develop and protect the environment."

As the summit opened yesterday President Fernando Collor of Brazil, who will preside over the 12-day gathering, pressed what is likely to be one of the central themes by emphasising the links between economic backwardness and degradation of the environment.

"We cannot have an environmentally sound planet in a socially unjust world," he told delegates from 180 countries.

He urged them to aim for "sustainable development – the key concept which must bring together rich and poor, large and small countries, so that we may all achieve prosperity and shorten the distances that still separate us".

The theme was picked up by other dignitaries attending the opening: King Gustav of Sweden, President Mario Soares of Portugal and Mrs Gro Harlem Brundtland, the prime minister of Norway.

Tight security added to the tension of the event, and wore down tempers in Rio's stifling heat. Queues of people and cars accumulated early in the day around the conference centre.

After the opening ceremony, the summit broke up into committees which will work on the documents to be signed by heads of state at the end of next week.

Brazil transforms itself from villain into star

By Christina Lamb in Rio de Janeiro

THE surprising star of Earth Summit proceedings so far is Brazil, which has transformed itself from the villain of the environmental world to playing one of most constructive roles in negotiations to forge a North-South consensus.

Mr Celso Lafer, Brazil's foreign minister, says "we consider that as host country our efforts should be to transcend specific positions and try to work out ways countries can find common ground on issues. We're capable of doing this because our own experience makes us aware of conflicts between North and south as we have both problems of poverty and industrialisation within Brazil."

Not only has the conference organisation been impressive for a country in economic crisis, but Brazilian diplomacy was instrumental in achieving agreement on a convention on climate change and its negotiators are currently working hard to obtain a consensus on the biodiversity treaty.

It is hard to recognise the country that only three years ago remained defiant and defensive in the face of worldwide censure for its blatant encouragement (and financial incentives) for the burning down of its forests in the name of development.

Part of Brazil's new role as defender of the environment emanates from its desire as host country to be seen as successful and its hope of being rewarded with the seat of one of the new commissions which may be created as a result of the summit.

As the fifth largest country in the world it is also eager to make its presence more felt on the world stage.

This has involved Brazil making compromises over the conference treaties which officials admit would not otherwise have been considered. Its past sensitivity on environmental issues, particularly as the home of the world's largest rainforest and biggest trove of biodiversity, could have easily led it instead to play a position as hardline as that taken by Malaysia, which trumpets its unfettered right to dipose of its resources as it sees fit.

Collor: cut deforestation by half

Despite Brazil's considerable poverty (40m people live below the poverty line) President Fernando Collor has made environment a priority issue since taking office two years ago and fully endorses the concept of sustainable development.

In his opening speech yesterday he said: "I belong to the generation that launched the first cry of warning against a mode of growth that was leading blindly to the extinction of life on Earth."

It is not just rhetoric. Partly by abolishing subsidies Brazil has reduced annual deforestation by half since 1989, causing a 1 per cent reduction in total global emissions. Mr Jose Goldemberg, the environment minister, boasts: "This is the only effective action taken anywhere in world to cut down emissions".

Mr Collor is even seriously talking of environmental and economic zoning of the Amazon to protect threatened species, and has demarcated large areas as Indian reservations, including one the size of Portugal for the 9,000 remaining Yanomamis.

It is still easy to criticise Brazil on the environmental front for the widescale logging and informal goldmining occurring in the Amazon, but its efforts to make the summit a success should certainly help it restore some green credentials.

Aloofness of US causes irritation

By David Lascelles and Christina Lamb in Rio de Janeiro

DIARY

US aloofness in Rio is already getting on people's nerves. All the major delegations are installed in the Rio Centro conference centre, but the US has insisted on maintaining its headquarters at the Sheraton Hotel 20 km away.

This not only means staff are isolated from events, but the whole press corps has to uproot itself from the centre to the Sheraton for the daily midday briefing.

US representation at the centre does not even constitute a proper delegation. It consists of an office of the US Information Service whose staff are full of smiles but short on the service their name purports to provide.

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Arriving in Brazil, the land of 1,500 per cent annual inflation, has been a heady experience for delegates from more price stable economies. Merely changing $250 yields over half a million cruzeiros at this week's exchange rate. But anyone who feels a sudden onset of riches is quickly disabused. A Coca Cola costs a princely 3,000 cruzeiros at the Centro bar, and a local beer 4,000.

A taxi ride in Rio costs anything between 5,000 and 10,000 cruzeiros. It costs many millions to make a down payment on a mobile phone rental.

The massive sums involved in the most trivial transactions mean people have to carry sheaves of bank notes with dizzying numbers of noughts. When you are in a hurry it is easy to confuse 10,000 with 100,000, and the sharper operators in Rio have latched on to that fact.

But lest taxi drivers feel tempted to overcharge, the government has posted special officials at hotel entrances to check that arriving guests pay no more than their due.

Merely during the period of the summit, Brazilian prices will rise by nearly 20 per cent, a sobering thought for the eco-minded.

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Brazil's less than subtle security arrangements for the Earth Summit, which involve tanks on street corners, nearly claimed a costly casualty. On the first day of operations a Japanese delegation was waiting in the conference centre to sign a $300m loan for Brazil's National Development Bank – the first Eximbank lending to Brazil for seven years.

Brazilians are not known for their punctuality but as the minutes ticked on the Japanese started looking at their watches and muttering. Finally the word came back – Mr Eduardo Modiano, the bank's president, had come by helicopter to shorten the one hour journey by road. But the military would not let him land and in fact had their guns trained on the helicopter.

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So stringent are the security arrangements that those used to Rio's high crime rate are staggered to find that the biggest danger at present is not being robbed, but being given things. More than 2,000 non-governmental organisations are present in Rio, all of which are eager to make their views known.

It is impossible to walk the streets without being burdened with handouts denouncing pollution by multinationals, advertising women's vigils on the beach, or advertising Esperanto lessons. Even the most cunning delegate cannot avoid ending each day without a rucksack full.

Overshadowed in victory: Democrat Bill Clinton after sweeping the last six primaries with enough delegates to be mathematically assured of the presidential nomination

Bush and Clinton limp to primary victories, Perot leading the way

The universal view is that the winner was the man who did not run, writes **Jurek Martin**

"THIS OBSESSION with Ross Perot is nonsensical," Ron Brown was saying as the final curtain closed on the primary season. "This is June, the election isn't until November and we haven't even started the general election campaign."

The frustration of the Democratic Party's national chairman is understandable. Tuesday night should have been a crowning moment for his man, Governor Bill Clinton of Arkansas, who had just swept the last six primaries and won enough delegates to be mathematically assured of his party's presidential nomination, barring some improbable coup d'état against him between now and the convention in July.

Over at the White House, President George Bush might have been excused for enjoying similar satisfaction, having pulled off a complete sweep of all the Republican primaries from New Hampshire onwards. Pat Buchanan's last stand in California – which he had promised, recalling the civil war, to make a battle worthy of Antietam for the hearts and minds of the party – had predictably fizzled.

But Mr Bush had to suffer another distraction yesterday morning when Ms Sherrie Rollins announced she was resigning her White House communications post. Though she did not say so, this is presumed to be because her husband, Ed Rollins, a veteran Republican campaign strategist, is being courted by Mr Perot.

Beyond this particular, every headline, every newscast and every pundit yesterday morning reached the same conclusion: that the real winner from California to New Jersey on Tuesday was the man who was not running.

It was, as R W Apple put it in the New York Times, "another in a series of shouts of dissatisfaction from an electorate that has been sounding off against politics as usual, state by state, since the New Hampshire primary began the political year in February".

And there, grinning broadly in many a television interview was Mr Perot himself, chatting merrily about the will of the people, flatly refusing to answer any questions of substance and blithely accusing the Republican party of practising "saturation bombing with dirty tricks" against him.

The evidence for the universal conclusion was not to be found in the ballot papers of the six states, most of which made write-in voting difficult, but in the ubiquitous exit polls. Almost everywhere, with the exception of Republican voters in Ohio, they found that members of both parties would, given the choice, prefer Mr Perot to either Mr Bush or Mr Clinton.

A Washington Post analysis found Mr Perot's support overwhelmingly white, predominantly male, and significantly older than the average age of the country. Primary voters tend to be the most politically committed, whereas Mr Perot's appeal is among the disaffected. Add them to his putative total and his current strength becomes truly significant.

The only offsetting findings of the exit polls was that his "unfavourable" ratings rose, mostly among Democrats, perhaps a fragmentary sign that scrutiny of the man himself is beginning to take a toll.

The thrust of all the analysis is that both Mr Bush and Mr Clinton are limping, not charging, out of the primaries. Both must now decide whether to take Mr Perot head on or merely hope that exposure will reveal exploitable flaws. Mr Clinton's prime task is also to pick a running mate, a shrewd choice of whom could deflect any last minute attempt to deny him the nomination.

Given the choice, most of the electorate would not vote for the parties' nominees

The hard counted numbers showed that Mr Clinton scored 68 per cent in Alabama, 61 per cent in Ohio, 59 per cent in New Jersey, 53 per cent in New Mexico, 47 per cent in Montana, and 48 per cent of an incomplete tally in California. Jerry Brown got 40 per cent in his native California and no more than 20 per cent anywhere else.

Mr Clinton won at least 450 of the 700 delegates on Tuesday, ending up, according to the Associated Press count, with 2,510 delegates, well above the 2,145 needed for the nomination.

Mr Bush's scores were 83 per cent in New Jersey and Ohio, 75 per cent in Alabama, 72 per cent in Montana, 67 per cent in New Mexico and 74 per cent in California, where Mr Buchanan's 26 per cent was the highest he managed anywhere on Tuesday. The president had weeks ago secured enough delegates for his renomination.

In other widely-watched races, two women, Dianne Feinstein and Barbara Boxer, easily won the Democratic primaries for the two vacant US senate seats in California. Democrats in Iowa selected Jean Lloyd-Jones over another woman as their Senate candidate. With many other local primaries still to come, this means there will be at least five women competing this year for seats in the Senate, which has two female incumbents.

Ms Feinstein will face the interim Republican incumbent John Seymour in November, while Ms Boxer will be up against Bruce Herschensohn, a very conservative Los Angeles TV commentator. The latter contest is likely to be dominated by the abortion issue.

Maureen Reagan, the former president's daughter, failed to win the Republican nomination for a congressional district in the Los Angeles suburbs, in spite of campaigning on her behalf by her father. Jane Harman won the Democratic primary and will face Joan Flores in November.

Two black women, Eva Clayton, a Democrat, and Barbara Gore Washington, a Republican, won run-off elections in North Carolina for new congressional districts.

Though some of those victorious yesterday and earlier may lose in the end, it is apparent that women have rediscovered a political voice this year. Working for them, in general, are the abortion issue, with even Republican women critical of the president's pro-life stance, and disgust with the attacks on Anita Hill during the hearings last year into the nomination of Supreme Court judge Clarence Thomas.

Incumbents generally fared a little better on Tuesday than in earlier primaries. Mary Rose Oakar, an eight-term Democrat from Ohio who had overdrawn her House bank account more than 200 times, survived a challenge, as, narrowly, did Congressman Bob McEwen in the same state.

Among issues on the ballot in California, voters in Los Angeles easily passed a "buy America" amendment to the city's charter, allowing the city government to prefer California contractors in its procurement orders.

This movement was born last year after a mass transit contract was awarded to Sumitomo of Japan, though the decision was later reversed. Foreign investment has been actively sought for the reconstruction of Los Angeles after the riots.

Also the city approved new restrictions on the power of the Los Angeles Police Department and its chief, whose conduct over the beating of Rodney King and during the subsequent disturbances has been heavily attacked.

Further rise in orders indicates US recovery

By George Graham in Washington

NEW orders for US manufactured goods continued to rise in April, adding to evidence of a distinct but still restrained recovery in economic activity.

The Commerce Department said new orders rose by $2.4bn or 1 per cent, the fourth consecutive monthly increase. An increase of 0.7 per cent in orders for non-durable goods added to the 1.3 per cent rise in durable goods orders already reported by the department.

Shipments of manufactured goods rose by 0.2 per cent, with higher non-durable deliveries offsetting a decline in shipments of durable goods.

Economists said the statistics confirmed previous indications of some form of economic recovery, but shed little additional light on its strength.

Some analysts noted that the pick-up in orders was no stronger than a similar revival last summer that soon fizzled out.

Adding to caution among economists was the announcement that the value of orders in hand with manufacturers fell for the eighth consecutive month to $501.8bn, their lowest level for nearly three years.

The strongest sectors for new orders in April were home goods and apparel – where orders climbed by 3.4 per cent – and automotive equipment, up 2.8 per cent.

Defence orders also climbed sharply, but orders in this sector often vary wildly from month to month.

Orders for non-ferrous primary metals, electrical transmission and distribution equipment, electronic components and measuring and controlling devices all showed strong gains in April, the department said.

Menem tries to break logjam over oil sale and pensions

By John Barham in Buenos Aires

PRESIDENT Carlos Menem of Argentina has resorted to emotional blackmail so as to shame legislators into passing a government bill stuck in Congress for over six months.

In a surprise national television address late on Tuesday, Mr Menem promised to award a long-delayed increase in benefits for 3m old-age pensioners if the Senate were to pass a bill allowing the government to privatise Yacimientos Petroliferos Fiscales, the national oil company. It has been before the Senate since November.

The senate, where the government has a majority, does not oppose privatisation of YPF, but there are objections to clauses by which the government would sell the company to private investors, local government and employees.

Senators are also agitating for a softer government line over imposing tough economic reforms on the country's 24 provinces.

The government is under permanent pressure from militant pensioners to increase their monthly benefit, equivalent to $150. Argentina has one of South America's largest contingents of old people and spends $10bn a year (over 7 per cent of GDP) on pensions. However, benefits are lower than those stipulated by law.

Pensioners are entitled to benefits equivalent to 82 per cent of their final wage. However, the bankrupt state pension fund was unable to match this and has built up a $10bn "debt" to pensioners. The government has cleared $7bn of that by issuing bonds, but it must recapitalise the pension fund to avoid creating a new, unsustainable deficit.

Sale of YPF would yield some $4bn-$5bn over the next three years and Mr Menem promises that the money would be channeled to the pension fund. The sale would be the crowning glory of the government's privatisation programme. Mr Menem plans to sell all federal companies, except YPF, by the end of the year.

However, his challenge to Congress has not impressed the pensioners' leaders, who denounced his ploy as a cynical manoeuvre. Opposition members of Congress dismissed it as "dictatorial".

Mr Menem also demanded that Congress approve unaltered a draft social security reform package. This would reshape the tax structure and create compulsory private schemes to which employees would contribute 11 per cent of their incomes.

Salinas: 'Some issues are practically over'

Nafta deal likely soon, says Salinas

By Edward Mortimer and Damian Fraser in Mexico City

PRESIDENT Carlos Salinas de Gortari of Mexico says the North American free trade agreement (Nafta) talks could be over within weeks, and he sees no big stumbling block to reaching an accord.

He said in an interview that serious issues remained to be resolved, including rules of origin that determine the minimum amount of regional content for goods to be eligible for free trade, tariff reductions, rules governing foreign investment, and agriculture. "Some [of these issues] are practically over," he added. "Some require additional steps."

The president made a plea for European investment, suggesting that "those who invest in Mexico will have a better chance to participate in this huge regional market".

Mr Salinas, who will visit the UK, France, Spain and Hungary in July, added: "We would like to have a strong commercial agreement with the European Community" within the framework of the General Agreement on Tariffs and Trade.

The president hinted at his, and no doubt US President George Bush's, likely pitch in selling the agreement to US Congressmen and voters. "I want to export goods, not people; therefore with the agreement we would like to create more employment opportunities and reduce migration into the US."

Above all, "we want the capacity to compete with Europe and the Asian pacific countries, not as a closed fortress but as an open region in accord with the Gatt regulations".

Mr Salinas called for a reform of the United Nations, urging that more power be given to the General Assembly and that the veto power of the five permanent members of the Security Council be "rethought".

Warming to this theme, he suggested that "it was not easy to have a neighbour in the US". Mexico's improvement of ties with the Washington during his presidency was a "strategic decision. By getting a better relationship with the US we will be in a better position to compete with other regions in the world, and improve our relations with them as well".

NEWS: UK

For sail: Maxwell's $19.7m toy

By Jimmy Burns

IT WAS built as a favourite toy for a brother of arms dealer Adnan Khashoggi. Then Robert Maxwell acquired it and the yacht became his plaything until his death last November.

Now a glossy 12-page brochure devoted to the Lady Ghislaine is being distributed by international shipbrokers Camper Nicholsons in an attempt to whet the appetite of potential buyers in an unenthusiastic market place. Although ship brokers originally mooted the price of $24m, Camper Nicholsons, with the agreement of Maxwell administrators Arthur Andersen, have settled for the "negotiable" price of $19.7m.

The cost of the brochure is being kept secret, in apparent deference to the sensitivities of pensioners who lost money through the Maxwell pension funds.

"Marketing expenses are a complicated arrangement between broker and seller. In this case us and the administrators," said Mr Nicholas Baker, Camper Nicholsons' chief London representative.

In its promotional introduction the brochure says the Lady Ghislaine, which was built by the Dutch Amels shipyard, "has it all", adding that the yacht "is well-known throughout the world".

It is in fact the largest private yacht in the UK after Britannia, the Royal yacht, and My Gail III owned by millionaire Gerald Ronson.

There is no mention in the entire brochure of Robert Maxwell. However, Mr Baker conceded yesterday that the boat's association with the one-time media magnate had "helped" fuel market interest in the vessel. It was the centre of an investigation after Mr Maxwell fell overboard last year.

The Lady Ghislaine's facilities include a glass-bottomed jacuzzi, whirlpool baths, a sumptuous master bedroom and "state rooms", a main saloon and observation saloon, and a discotheque with state-of-the art hi-fi equipment, strobe lighting, and an octagonal mahogany dance floor.

Floating pleasure dome: the brochure shows the Lady Ghislaine's observation saloon, just off the main saloon

LLOYD'S OF LONDON

Specialist syndicates to face burden of losses

By Richard Lapper

NEARLY HALF the £2bn loss faced by Lloyd's of London in its 1989 underwriting year will be borne by syndicates which specialised in so-called spiral catastrophe reinsurance, according to the latest forecasts by Chatset, the company which provides analysis of Lloyd's insurance market.

Spiral business – in which Lloyd's syndicates and companies reinsure each other's exposure to high level catastrophe risks – is at "the root of the debacle", said Chatset's Mr Charles Sturge.

Fifteen syndicates, managed by agents such as Gooda Walker, Feltrim, Devonshire and Rose Thomson Young, which account for under 5 per cent of the market's stamp capacity – or capital base – of around £11bn face the worst losses, with a minority of the 31,329 Names underwriting during the year bearing a disproportionate share of the loss.

All this is bound to refuel controversy at Lloyd's, about the market's regulation, and will increase pressure on the Lloyd's Council to bail-out worst hit Names, the individuals whose capital underwrites the market. Outside Names – those who are not market professionals – are heavily over represented on worst performing syndicates which grew very quickly during the mid to late 1980s.

Mr John Rew, co-editor of Chatset's reports and himself a Name facing heavy losses, said: "There has been a total failure of regulation of the Lloyd's market." He said some Names faced losses which dwarfed the size of their deposits – the funds Names must lodge with their agents when they join the market.

Despite recent increases, the size of the Lloyd's deposit – now equivalent to 30 per cent of the insurance premiums a Name can accept – was "obviously inadequate".

Lloyd's had also failed to ensure that catastrophe syndicates were buying adequate reinsurance.

Chatset is also gloomy about the future. It is sticking to its forecasts that Lloyd's is en route for losses of £1.15bn in 1990 and £750m in 1991, which Lloyd's reports in 1993 and 1994. The projections were criticised as over-pessimistic by Lloyd's earlier this year.

The company believes a bail-out funded by a levy on all Names will be necessary to meet losses. "There has to be a considerable sacrifice by the marketplace itself if there is to be a market in 1993," said Mr Rew.

A bail-out alone will not be enough to restore profitability, said Mr Rew, who says as cash flow pressures grow more acute Lloyd's may need credit lines in order to survive.

The Chatset figures also show the 1989 loss to be heavily concentrated on the marine market, where syndicates specialised in US liability and spiral reinsurance, as well as the bread and butter business of insuring ships, their cargoes and oil rigs.

Marine syndicates look set to be hit heavily by their exposure to US liability risks – such as pollution and asbestos clean-up and asbestos-related diseases – in which claims emerge many years after the original inception of policies.

Three of the 10 largest marine syndciates – Janson Green 932, Secretan 367, and Wellington 448 – have been unable reach a sufficiently accurate assessment of these so-called long-tail risks to be able to close their accounts.

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Pensioners' plight to be raised in Commons by Labour

By Alison Smith and Norma Cohen

THE opposition Labour party is to call a full-scale House of Commons debate on the Maxwell pensioners next week, in the first opportunity it has had in this parliament to choose the subject for discussion by MPs.

The move, which will be announced today comes after ministers again faced pressure yesterday from both Tory and opposition MPs to provide an opportunity for the plight of the pensioners to be raised at Westminster.

Mr Michael Meacher, Labour's social security spokesman, will open the debate on Tuesday, which is expected to concentrate on the need for compensation for the Maxwell pensioners. Tory MPs campaigning on behalf of the pensioners might find it difficult to vote against it.

Last night's meeting of the all-party group of MPs campaigning on behalf of the Maxwell pensioners, re-emphasised the urgency of the plight of the pensioners.

The group's officers are to appeal to its 100-plus members to press ministers at questions in the Commons today about when the government expects to publish the report by the Securities and Investments Board report into Imro's oversight of Bishopsgate Investment Management (BIM), the fund management company owned by Mr Robert Maxwell which managed the assets of his company pension funds. Imro is the self-regulatory body for the fund management industry and is indirectly designated by the Department of Trade and Industry.

The report is critical of pensioners' efforts to establish that government oversight of BIM was lax, and thus strengthen their claim for government compensation.

● Trustees of the Mirror Group Newspapers pension scheme have called on National Westminster Bank to stop delaying and return £31m in shares which had been passed to the bank as collateral for a loan to the late Mr Robert Maxwell.

Mr Colin Cornwall, independent chairman of the trustees, said that pensioners face the immediate loss of their pensions because the schemes are running out of funds to pay them.

NatWest has so far said it will take its civic responsiblities into consideration when deciding whether to return the shares. However, it has also said it believed the security to be sound and its rightful property in lieu of loans not repaid by Mr Maxwell.

General Electric wins turbine contract

By Paul Betts, Aerospace Correspondent

GENERAL Electric of the US has won a contract worth more than $150m to equip the new Medway electricity generating power plant at the Isle of Grain in Kent, close to the mouth of the River Thames, with gas and steam turbines.

The US company will supply two gas and one steam turbine generator for the 660MW plant owned by Medway Power Ltd, a joint venture between two UK regional electricity companies, Seeboard and Southern Electricity, and AES Corporation of the US. The plant is due to start open in 1995.

GE said yesterday the Medway contract was the first independent power plant project for the US company in Europe. It was also the first direct sale by GE of its 9F gas turbine, the world's most powerful gas turbine, in Europe, the company said yesterday.

GE together with its international partners claim to be the world leader in gas turbine power generation. But Westinghouse of the US has teamed up this week with Rolls-Royce, the UK aero-engine and industrial power group, to challenge GE's leadership.

Rolls-Royce yesterday announced its first order for a new environmentally friendly combustion system for the industrial derivative of its RB211 jet engine from the US pipeline operator Pacific Gas.

The US company has ordered three of the new systems for RB211 engines being installed in Idaho and Washington, planned to enter service in 1994.

Isle of Man aims to attract more overseas companies

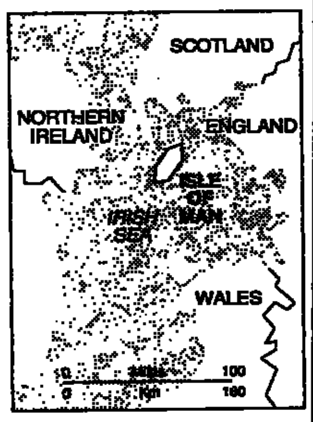
By Sue Stuart

THE ISLE of Man is planning to reform the taxation of companies owned by non-residents which conduct business outside the island, in an attempt to attract international holding companies.

Currently, about 4,000 companies are registered on the island as exempt companies – they are owned and carry on business outside the island – are not taxed on profits and pay an annual fee of £250. No island resident may have a shareholding in such a company, but each must have a Manx-resident director and company secretary.

The new category of international companies will pay a minimum tax charge equivalent to the current annual fee. There will be the flexibility to have a specific rate of tax applied, up to 20 per cent, which the island's authorities say may be more appropriate for an international corporation with a global tax policy.

The new legislation links with a reduction, announced in April, in maximum capital duty from £50,000 to £5,000. The island's government hopes the measures will enhance the Isle of Man's appeal to large international companies.



The government also hopes these measures will encourage Manx-registered non-residents' companies to change status and become international companies. The island's 9,500 non-resident companies' annual fee was increased by £50 to £500 last month.

The new measures will be contained in an International Companies Bill.

City market rigging case folds

By Raymond Hughes

ANOTHER City of London prosecution collapsed yesterday when Mr Peter Marks, a director of stockbrokers Branston & Gothard, was cleared of attempted market rigging on the directions of a judge.

Mr Marks pleaded not guilty to a charge of making a misleading, false or deceptive statement to induce share dealing. The prosecution alleged that Mr Marks told Mr Timothy Medland, then head of UK equity trading at Goldman Sachs, the US investment bank, that Maxwell Communications Corporation would be filing for bankruptcy that day – knowing it was untrue.

The judge said: "But Mr Medland's evidence was that what was said to him was either 'I' or 'We believe that Maxwell will be filing for bankruptcy today.' That is an entirely different statement", the judge said.

Mr Marks' solicitor, said everyone working in the Stock Exchange would be relieved to know that "a conversation of this kind is not a criminal offence."

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Pay deals cut back for relocation in Europe

By Michael Smith, Labour Correspondent

UK COMPANIES are implementing significant cuts in the pay packages they offer to personnel transferred to jobs in continental Europe, according to a survey by the Confederation of British Industry (CBI).

Expatriates will no longer be able to gain "windfalls" by banking all or most of their salaries while benefiting from generous allowances or incentive payments.

Most will be offered transfers on terms matching those applying to locally recruited staff in the countries to which they are sent, with temporary allowances occasionally given to cover local housing costs, and children's education.

The research, by the CBI and Mercer Fraser, the consultant, is based on a survey of nearly 200 companies, half with a turnover of £200m or more, and half employing over 2,000 people worldwide.

Organisations cited competition, cost containment and the requirement for equity in the workplace as the most pressing reasons for reconsidering the remuneration of expatriates in Europe.

Foreign service premiums, included in the traditional packages as an incentive for working abroad, were considered no longer applicable to Europe.

The majority of organisations provided some sort of assistance with housing needs of transferees.

Many, however, were considering moving away from this system because of its cost and because typical expatriate housing was out of line with that of the transferees' local peers. But companies regarded education assistance for children of employees as sacrosanct.

Miss Sue Shortland, Head of the CBI's Relocation Group, said: "With the advent of the single European market, a progressive company will be locking to see how far its salaries can be harmonised across the Community."

SECURITIES AND INVESTMENTS BOARD

Splits hamper financial controls

By Norma Cohen, Investments Correspondent

THE regulatory structure for Britain's financial services industry is too fragmented and undermines its effectiveness, said Sir David Walker, outgoing chairman of the Securities and Investments Board (SIB), the City's chief watchdog.

Sir David, in remarks contained in the SIB's annual review for the 1991/92 year, called for a government review of the current regulatory structure.

"It is doubtful whether the present system of fragmentation of responsibilities would be built in if the system were now being designed afresh, and I believe that present arrangements for regulation of market-related problems merit early review," Sir David said. In particular, he singled out difficulties in investigating market manipulation or insider trading in securities markets by individuals or entities not covered by the Financial Services Act as areas where the oversight of several bodies complicated investigation.

Besides the SIB, responsibility for those areas falls to the Treasury, the Department of Trade and Industry, the Bank of England and the Stock Exchange. The SIB has previously found its investigations slowed down by the need to keep all supervisory bodies informed on each new development and seek their views about how to proceed. This procedure has slowed down investigations and prevented the SIB from acting more swiftly and conclusively, Sir David is said to believe.

"That this system works as well as it does in these respects reflects good working relationships among the individual regulators concerned," Sir David said.

While Sir David did not specify any particular investigation which had been hampered by regulatory fragmentation, he noted that the prosecution of the Blue Arrow and Guinness affairs and the investigation into the collapse of Mr Robert Maxwell's empire all involved oversight by various regulatory bodies.

On other matters, Sir David noted that public expectations about the standards to be expected of financial services regulation have been rising, possibly causing investors to relax their caution and rely too heavily on government to protect them. "Regulation is designed to set a framework for the raising of standards and for ensuring their compliance but it cannot guarantee them or substitute altogether for the application of good sense by investors," he said.

On the subject of regulation of retail financial services, Sir David noted that new rules aimed at improving the information provided to potential customers have created some dissatisfaction among "interested parties". Both consumer groups and the insurance industry have complained about the new structure, with the former saying it does not require enough disclosure and the later saying it requires too much. Sir David said he believed the conclusions represent "a good overall balance."

● The SIB has incurred a £2.36m charge in connection with its former leased premises. The lease expires in 1995 and the premises are largely unlet. It moved to its current headquarters in December 1990.

The government should press ahead quickly with new legislation to prevent cartels emerging in industry, Sir Gordon Borrie, the Director General of Fair Trade, said yesterday, writes David Barchard.

He warned banks in particular that the OFT is monitoring their behaviour to see whether or not *they* were *operating* a cartel.

Sir Gordon, who retires this month after sixteen years at as Director General of Fair Trading, said that in his final meeting with Mr Michael Heseltine, President of the Board of Trade, he had urged him to introduce anti-cartel legislation as soon as possible.

The OFT feels that though it has been effective in tackling cartels in some industries such as construction materials manufacturing, its present powers are too limited for it to be sure whether or not cartels exist in some industries.

He said that he suspected this was the area in which the OFT had been least successful during his term of office.

***Total complaints to the OFT* were 750,000, eight per cent up on 1990. There was a particularly steep increase in the numbers of complaints about financial services, especially about banks and estate agents.**

More than 4,000 complaints were received about banks, 63 per cent up on 1991 and there were 2,477 complaints about estate agents, 58 per cent up on 1990.

UK plans test on waste in Kara Sea

David Green

BRITAIN is to approach the Commonwealth of Independent States for permission to send a research vessel to the Kara Sea, *east of the Arctic Ocean,* where radioactive waste was dumped by the former Soviet Union.

An initial request, in 1989, to monitor radioactivity in the nearby Barents Sea was turned down by the fomer Soviet authorities.

Now, however, officials at Britain's ministry of agriculture responsible for radiation monitoring around the UK coastline are drawing up details for a fresh approach, to the new Commonwealth of Independent States. The expedition, which would be undertaken by a fisheries' research vessel stationed at Lowestoft in Suffolk, eastern England, has yet to obtain government approval.

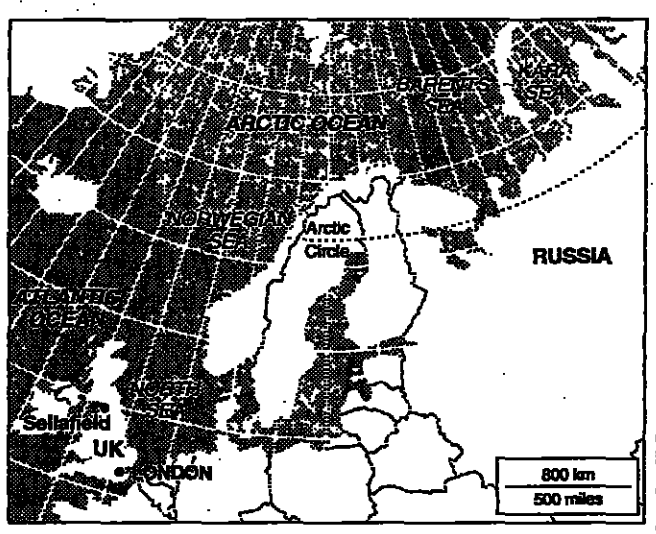
Waste from both the Soviet civil and military nuclear programmes is thought to have been dumped in the shallow Kara Sea.

British officials want to study the movement of radioactivity from the dump area. Scientists believe contamination *may be spreading* far afield.

Radioactivity has been detected in the sea around Greenland and the Sellafield nuclear reprocessing works of British Nuclear Fuels has come under suspicion. British scientists believe Sellafield is unlikely to be the source.

● Regular monitoring of an area of the Atlantic Ocean formerly used by Britain to dump radioactive waste has so far failed to detect any leakage from the metal containers.

Dumping in the area, 400 miles from the coast, was suspended in 1982, following a campaign by environmentalists. The ocean there is more than half a mile deep.



Britain in brief

Belling cuts more than 1,000 jobs

More than 1,000 employees of Belling, the cooker manufacturer which went into receivership last week after 82 years in business, are to lose their jobs.

The receivers appointed to manage Belling, which has been incurring losses for three years and has debts of around £25m, said 850 jobs will go at the company's factory at Enfield in London. A further 260 jobs will be lost at its factory in Burnley, Lancashire. The news was greeted with dismay by union representatives.

More than 600 tons of flagstones, taken from demolished cotton mills, are being airlifted into the hills of central England to repair the Penine Way hikers' path. About 3km of path will be built, at £30 a meter. Helicopters are used to avoid damage to the surrounding countryside

Dentists warn of exodus

Dentists' fees are to be cut by 7 per cent as part of a government package to bring their income closer to review body recommendations.

The British Dental Association has warned that a new fees code could mean that up to 40 per cent of dentists would turn away National Health Service patients as a result of the decision.

Auditors plan rating

Coopers & Lybrand, the accountancy firm, is to offer its audit clients a new "ratings" service from September which will tell directors and shareholders how well their company is performing.

For the payment of a premium, Coopers will assess a company's financial controls compared with what it considers the best practice in each field.

It will provide a detailed comment on possible improvements under about 20 "standards of control", grouped in four sections: corporate, financial management, accounting controls and industry groups.

Companies told to go green

Companies should provide information on the environmental impact and risks they face in their annual reports, according to the Hundred Group of leading finance directors.

The group's environmental working party concluded that companies should normally devote at least one page in the narrative section of their report to the issues.

It did not specify in detail the information that should be provided, but the group's statement of good practice says companies should invest time in identifying environmental priorities and reporting on them accordingly.

House prices remain weak

House prices remain weak and are showing little sign of recovery apart from a normal small seasonal pick-up which occurs at this time of year according to Halifax, Britain's biggest building society.

The society, which has just published its latest monthly house price index, said that prices last month rose by only 0.4 per cent. After taking into account traditional seasonal fluctuations, prices actually fell by 0.5 per cent said the Halifax. It was the seventh month in succession that seasonally adjusted prices had fallen. On this basis prices had risen only once, in October, during the past 12 months, said the society.

Opposition to union merger

A controversial plan for Cabin Crew 89, the airline workers' union, to join the electrical section of the AEEU craft union seems doomed. Leaders of the AEEU's engineering section told the electrical section that an amalgamation could not happen because of opposition from the TUC.

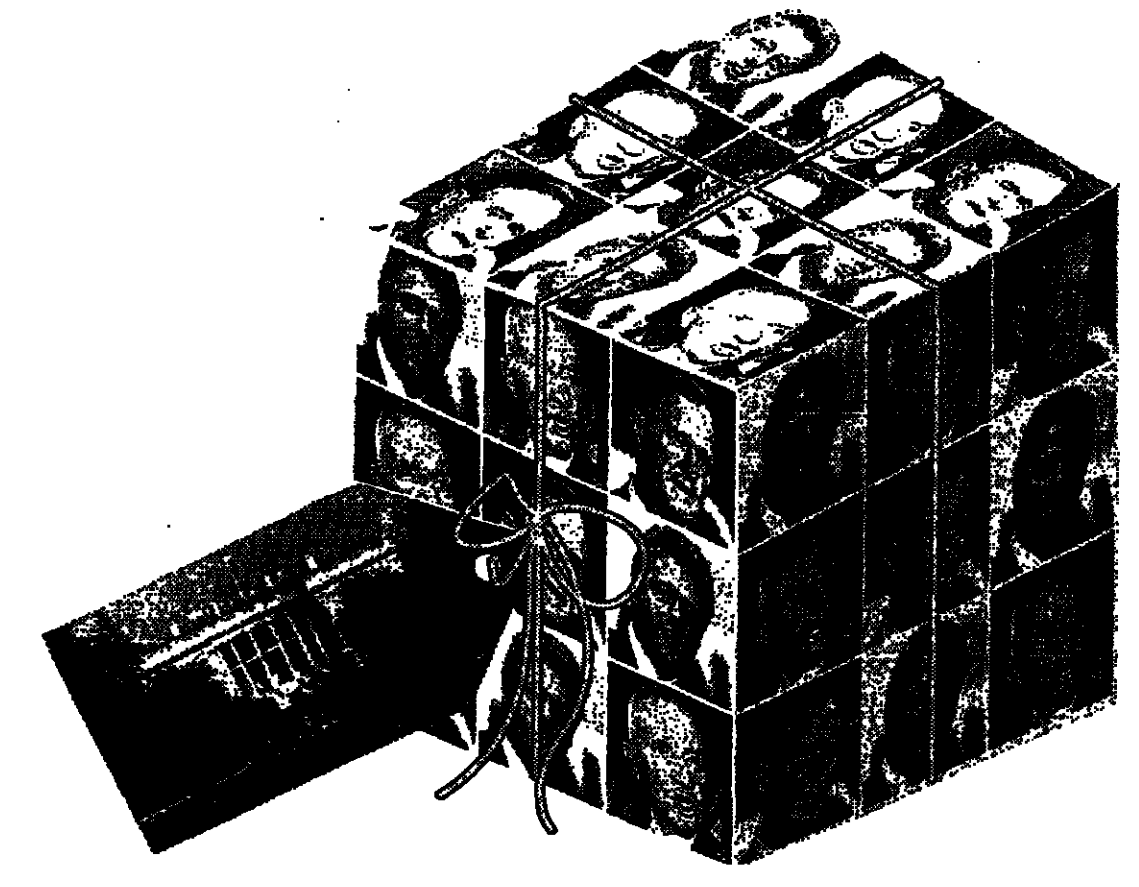
Tea remains UK favourite

The recession has failed to sap the UK appetite for tea with Britons drinking an extra 250m cups last year, according to the Tea Council's 1991 annual report. Tea accounted for 43.7 per cent of everything Britons drank last year with the exception of tap water – an increase 0.5 per cent since 1990. Every day tea is drunk daily by 80 per cent of the population, compared to nearly 57 per cent who drink coffee.

MANAGEMENT: MARKETING AND ADVERTISING

The slick style with which H Ross Perot is packaging his bid for the White House is making other candidates rethink strategies. **Jurek Martin** reports

A Texan's radical cheek



Until H Ross Perot rode in from Texas, short in the saddle but long in the pocket, it did not appear that the packaging of presidential candidates this year would differ much from recent elections. The flag and the family (for President Bush), the pain and the hope of change (for Governor Bill Clinton) would be the predictable leitmotifs in the mainstream media, leavened, or sullied, by the usual dose of negative political advertising.

Now, win, lose or draw, Perot may be in the process of changing that calculation. His wealth may be no more than an equalising factor, though one not enjoyed by previous independent candidates. But it is his unconventional approach to the media in its twin role as a conveyor of information and image which threatens to stand accepted wisdom as much on its head as did the Nixon campaign of 1968, so expertly chronicled in Joe McGinnis's book, Selling of the President.

The Perot approach runs on two tracks. The first is to treat the establishment media as precisely that – part of that same establishment which he says is running the country into the sand. Symptomatic of this was that he chose to announce his interest in the presidency on a television talk show, and has spent most of his time since on what might be described as "celebrity" programmes which tend to be stronger on style than substance. This genre, he has said, is what "the people" now tune in to.

The second stems from his understanding that this is now an electronically wired country, no longer so reliant for communication and information on conventional newspapers, TV and radio. His is a world of massive phone banks, electronic "town meetings" and tele-conferences, where different and distant parts of the country can be hooked into one network to receive the message and, as in the ubiquitous talk shows, vent the complaints.

Typical was last Friday's political "event", which featured a live address by Perot – and subsequent "two-way audio interaction" – from Orlando, Florida, to audiences in the capitals of five other far flung states – Ohio, Alabama, Kansas, Wyoming, and Idaho. The most that even a mobile conventional candidate might manage in the space of a single day would be airport rallies, and local "soundbite" news coverage, from three of the six places at best; and the cost of the chartered jet alone might well exceed that of Perot's electronic network.

There is a word for this bypassing of the accepted means of political communication; it is telepopulism, a variant on a political tradition as old as the country itself. In his way, Ronald Reagan was a telepopulist president, preferring to use his office as a "bully pulpit" to go over the heads of the body politic. But his was of a less electronic kind, beyond the use of the Autocue. His principal approach was to charm the pants off the established media, in order to get his message over.

Perot has leaped beyond this by ignoring both. He allows the traditional political media to ask its traditional political questions.

But he considers himself under no obligation to reply as others might because he has established, as he would have it, his own independent means of communication. "I'm not sure," he has said, "how much people read any more. What happens on TV is what really impacts on people." And TV, with the proliferation of cable, is not what it was in the age of domination by the three commercial networks.

He is also, by trade, a master salesman who understands that products and people need the right image, for which he is prepared to pay. Though he says he is not going to hang around "having my nose powdered," his press secretary says media buyers and other expertise will be contracted for in due course.

For the moment, he recommends that those who want to know more about him read Wings of Eagles by Ken Follett, the "fictional" account of the rescue of two of his employees from a Tehran jail in 1979 which casts Perot in heroic mould. But it has emerged that he had editorial control over the book. It will be interesting to see if a new "biography" of Perot, promised by Random House for July publication, carries similar conditions.

The problem for Bush and Clinton is whether to fight fire with fire, or, if not, how to deflate the Perot bubble. Clinton has begun to experiment with electronic hook-ups which play to his policy-oriented strengths and had previously exposed himself to some of the television programmes which Perot has subsequently adopted, though mostly to rebut charges about his marriage and sex life. Bush still insists that "I won't go on Phil Donahue" – the daytime programme for housewives.

Instead, the president has reached into Madison Avenue with the conventional recruitment of Martin Puris, of Ammirati & Puris, and Clayton Wilhite, of D'Arcy, Masius, Benton and Bowles, to devise new and less stodgy advertising and media strategies. But Americans these days do not "feel good" as they did in the 1980s. This leaves the most likely recourse for Bush and Clinton to take the route of "attack advertising" against Perot – and for him, if his pugnacity and patent dislike of Bush is any guide – to respond in kind.

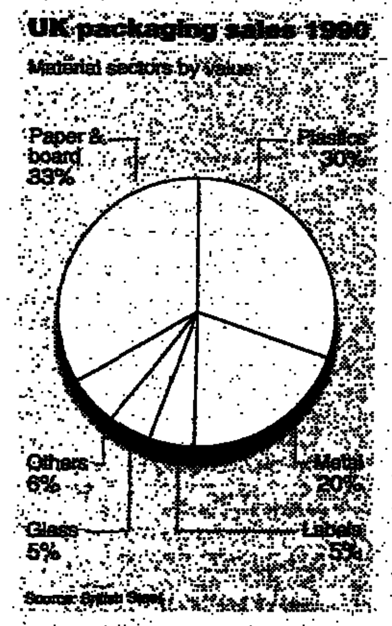
The early primaries had seen some flexing of the offensive muscles in both parties, though against lesser targets. A Bush commercial in car-producing Michigan reminded that Patrick Buchanan, the "America first" polemiscist, drove a Mercedes. This countered a Buchanan commercial in Georgia implying that Bush was soft on pornography and gays: a Clinton commercial in Florida, with its large retired Jewish population, implied that Paul Tsongas was anti-Israeli, while Jerry Brown's advertising came close to implying that Clinton ordered up a cull of blue collar workers in Arkansas every Wednesday.

It has long been assumed that Republican strategists have been collecting material on the private life of Clinton and the outlines of skeletons in the closet of Ross Perot, the ruthless tycoon, have already been unearthed. Perot himself has a penchant for ordering up private investigations of those he dislikes, too.

It could get real dirty. Or, then again, Perot may fade – but not before bringing about a sea change in the marketing of presidential candidates.

Clash of steel as beer can battle is joined

Gary Mead looks at moves to woo designers away from aluminium



British Steel's tin plate division has just paid £16,000 for 150 empty cans of non-existent, fictitious beer. Everyone knows that premium lagers are absurdly expensive, but surely £106 a can is just a little extravagant?

British Steel shareholders can relax; their money is not being wasted but invested in a project which could well turn out to be a clever marketing investment in steel's battle with aluminium manufacturers over who supplies the metal for the 7bn beer and beverage cans sold annually in the UK.

This week, British Steel's tin plate division is taking a stall at the international packaging exhibition – Pakex '92 – at the National Exhibition Centre in Birmingham. The hope is that the collection of fake beer cans – with invented names like "Old Guinea Stout" – will persuade packagers that a combination of technical innovation and design work means that steel meets their requirements.

Though empty, the cans were neither cheap nor easy to produce. Lewis Moberly, the London designers, took on the commission a year ago. The brief was to come up with designs which would display a new tin plate steel to the best visual effect. British Steel is now pushing ahead a marketing drive which uses Moberly's beer-can designs as examples of what can be done with the new type of tin plate.

While most food cans around the world are made of steel, there is an international battle between steel and aluminium for the important beer and beverage sector. In the UK this market is divided almost equally between steel and aluminium. In Germany and Holland, steel has about 90 per cent of the market but if you buy a canned drink in the US, it is almost certainly going to be in aluminium.

British Steel now regards itself as competing in an international market and its drive to gain market share is both technical and marketing driven.

On the technical side, British Steel's research and development arm has reduced the weight of the average steel can by 53 per cent since 1968. David Jones, research and development manager at the tin plate division, says: "We think that aluminium has now reached its weight reduction limit, whereas we believe we can reduce the weight of a 33cl steel can by another 33 per cent in a fairly short time, which means that steel will become very competitive."

Removing one of the main competitive advantages of aluminium – low weight – without sacrificing the greatest asset of steel – its strength – will give vital marketing advantages.

But as the two metals close the weight gap, the competition focuses on less tangible areas, such as appearance and design qualities.

Jones says: "We are not just marketing tin plate but marketing tin plate as a finished product."

Julie Bell, in charge of the tin plate division's marketing development, picked up from brewers that their marketing managers had hit on a more metallic look as a means of attracting supermarket shoppers to high premium beers. "The premium perception is actually for a metallic look. It was using the look of the metal itself in the design. If you look along the shelves, the majority of the premium beers show a lot more metal on the can."

Given that aluminium has a naturally brighter appearance than tin plate, British Steel risked losing out on the high premium beer canning market.

Consequently, it has been working to develop a new and brighter look to its tin plate steel. It now manufactures what it calls a "bright" tin plated steel, with as great a shininess as aluminium.

The bright tin plate gave Moberly's designers something new to work on, to demonstrate to both brewers and other designers that there is an alternative to aluminium even if they want to go for a sparkling metallic look.

TECHNOLOGY

A licence to print money

Clive Cookson finds out why selling research can be as profitable as exploiting the inventions in-house

R&D

Researchers working for Thorn EMI, the UK entertainment and electronics group, have made a breakthrough in one of the most competitive areas of R&D: liquid crystal displays (LCDs) for flat-screen televisions and portable computers.

That is a notable technical achievement in a field dominated by Japanese companies (which between them spend an estimated £1bn a year on LCD development).

But it is more remarkable still that a company which makes neither TVs nor computer displays – and has no intention of doing so in future – should have invested several million pounds over the last few years in LCD research.

Thorn has just signed the first licensing agreement with a Japanese electronics manufacturer to commercialise its new type of ferro-electric LCD, and the UK company hopes that royalties from that and other licensing deals will repay its research investment.

The LCD programme is one example of the way Thorn has managed to maintain the scientific and technical strength of its Central Research Laboratories (CRL) in Hayes, west of London, while the company has transformed itself from being primarily a high-technology electronics manufacturer 10 years ago to primarily an entertainment and leisure company today.

Ken Gray, technical director, joined Thorn in 1984 from the government's Royal Signals and Radar Establishment. The period since then has been "one of the most remarkable periods of radical change imaginable for any company," he says.

Colin Southgate, chief executive, has disposed of many of the technology-based manufacturing businesses, including Ferguson televisions in 1987, and he says any of the remaining businesses apart from music and rental – now the two core areas – might be sold too if Thorn received a suitable offer.

Such a transformation could have destroyed CRL which, as a vivid historical exhibition reminds visitors to the laboratories, was responsible for many pioneering developments in electronics: the first stereo sound recording, first 405-line television, first airborne radar, first solid-state colour TV, and the NMR brain scanner which won a Nobel prize for Thorn researcher Godfrey Hounsfield.

The laboratory has certainly had to make many adjustments and give up some lines of research. But the overall policy has been to maintain CRL at an approximately constant size – with 230 staff including 165 scientists and engineers – and to continue promising research programmes even if Thorn sells the business that was originally intended to exploit their results.

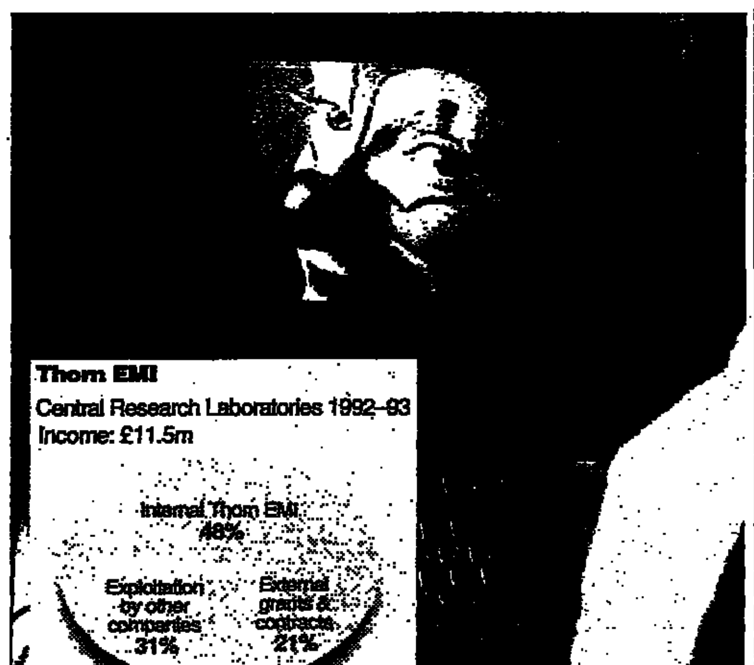
The active licensing out policy started because the parent group kept selling businesses. But the company has recently extended it, so CRL now sets out to develop some technology for licensing from the start.

Thorn began to run CRL as a separate company with its own profit and loss accounts this year. "It's demonstrating that R&D can be looked upon as an activity like any other in a commercial organisation," Gray says.

CRL is budgeting for an income of £11.5m in 1992-93. Only 48 per cent of this comes directly from Thorn businesses; 21 per cent comes from external grants or contracts and 31 per cent from royalties paid by other companies exploiting CRL research under licence. The broad areas of technology covered are electronics, computing, optics and new materials.

"We do a lot of radical research, which means taking a big step into a new area," Gray says. This commitment to radical – and therefore inevitably speculative – research distinguishes CRL from other contract research organisations.

Another feature of CRL's work is its avoidance of specific product development. Instead, it concentrates on "ideas, technologies and applications, based on wide-ranging scientific knowledge coupled to market awareness". Examples of current CRL projects include:



● Neural networks. Thorn is working on several applications in this fashionable area of research, using computers to find patterns or classify data in a way that resembles a simple model of the brain (see story on right).

One is in the financial area: CRL has developed a network that a bank could use to spot likely bad debts among loan applications. Another, which might be used by Thorn's own rental business, identifies customers who are most likely to terminate their contracts – and might be worthwhile targets for a direct mail shot to persuade them to stay on. The music business is interested in using a neural network to model styles of composition and generate background "musak".

● Visualisation. CRL has developed a system which gives an accurate impression on a computer screen of complex lighting schemes. An architect or lighting engineer can use it to demonstrate the effects of different light fittings.

● Fingerprint classification. An entirely new system of encoding fingerprints – based on the interference patterns created when two copies of the same print are superimposed and moved relative to each other – will be evaluated this summer in a mass trial among Thorn workers. The intensity of the interference patterns generates a 48-number code identifying that individual. Applications include access control and identification.

However, despite the success of CRL's strategy so far, it remains to be seen whether it can continue in the long run, particularly if Thorn sheds its remaining businesses in electronics, security and lighting and becomes exclusively a music and rental company. And there is always the question of what happens if CRL comes up with a truly radical development – a world-beating invention that Thorn would want to exploit itself, if only it had kept its high-technology manufacturing operations.

Clear about liquid crystal

The LCD project started in 1984, with the long-term goal of producing flat screens for high-definition televisions to be manufactured by Ferguson. It received a boost with funding from the UK government's Alvey and Joers research programmes from 1986.

When Thorn sold Ferguson to Thomson of France in 1987, "its home within the company disappeared but a clear decision was taken that this was a very valuable development and CRL would continue to invest to take it to the point of licensing," says Ashok Vaidya, CRL commercial manager.

Thorn has concentrated on a type of display called digital ferro-electric liquid crystal (FLCD) which has largely been ignored by the Japanese electronics industry with the exception of Canon. It has many theoretical advantages over the thin film transistor (TFT) technology favoured by the majority – simpler, cheaper and faster to respond to electrical impulses – but it has been difficult to develop as a practical screen because it is sensitive to shocks.

The FLCD demonstrator built by CRL is based on the VGA graphics standard for up-market portable computers. It shows good colour picture quality and a wide angle of view. Above all, it is rugged and durable – a drawback of other FLCD systems has been their tendency to fail if knocked.

CRL has just signed its first FLCD licensing agreement with a large Japanese electronics manufacturer and "is working to secure further licensees".

As Vaidya concedes, it has been difficult to persuade companies to take up FLCD when most of the industry is so committed to developing TFT technology.

Another problem is that Thorn has no FLCD production line to show potential licensees who have doubts about its suitability as a technology for mass-production.

Even so, CRL is continuing to develop FLCD because Thorn researchers are convinced that it has the best long-term potential of all display systems.

"We're concentrating on taking the technology leaps, rather than grinding through the production engineering work, which is best done by manufacturers," Vaidya says.

CC

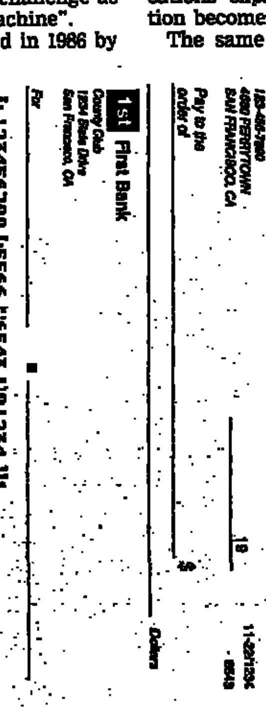
Blank cheque for the thinking chip

By Louise Kehoe

Synaptics, a Silicon Valley pioneer in the field of neural network chips, has developed the first commercial application of its futuristic technology; an electronic "retina" that can read the numbers printed on the bottom of cheques in order to verify that customers have enough money in their account to cover the transaction.

Neural networks – computers that mimic the functions of the human brain – have long been the subject of learned papers and scientific experiments. Bringing neural technology out of the laboratory and into the commercial world has proved almost as big a challenge as creating a "thinking machine".

Synaptics was founded in 1986 by two authorities on chip design; Carver Mead, a professor at the California Institute of Technology, and Federico Faggin, who designed the first microprocessor.



In collaboration with VeriFone, a leading supplier of transaction automation systems used to verify credit and debit cards, Synaptics has designed a chip for an automatic cheque reader which speeds up transactions by improving accuracy.

The device can instantly recognise the Magnetic Ink Character Recognition (MICR) symbols printed at the bottom of cheques. In theory, this long line of digits is supposed to adhere to standards that make it readable by less sophisticated magnetic systems. In reality, however, cheque printers do not always live up to precise specifications.

Ink density and printing pressure create wide variations, and the alignment of the paper may also be imperfect. People can still read them, but machines cannot.

Typical cheque reader systems, used by financial institutions, cost as much as 100 times more and score about 80 per cent accuracy. They require a cheque to be passed carefully through the system at a pre-determined speed and angle by a motorised system. In contrast, the neural system can be used at the point of sale, enabling customers or sales clerks to swipe a cheque through the reader and still achieve accuracy of 99.6 per cent, according to tests conducted by independent researchers SRI International.

According to Faggin, Synaptics chief executive, the cheque reader is just the beginning. "The neural chip represents a tiny fraction of what we'll eventually be able to do with neural networks. As neural technology evolves and becomes more generally available, the applications expand until the imagination becomes the only limit."

The same electronic vision technology used in the cheque reader might also be used to recognise handwriting or thumbprints, or to detect counterfeit money. With these types of "perceptive" chips, any type of pattern recognition, whether it be identifying documents or graphical images, can be implemented faster and more accurately than with conventional computers.

Speech recognition, in which neural network chips mimic human hearing functions, and robotics, where the chips control sensory motor functions, are likely applications in the long term. In the shorter term, VeriFone hopes to use the neural chip as the basis of a cash recognition system which can read bank notes. This will reduce mistakes at the point of sale and help to eliminate pilfering by keeping track of the amount of money that has changed hands.

While pushing forward the frontiers of computer science, Synaptic's founders do not expect to displace conventional digital devices. Instead, they see "intuitive" computers being coupled with the high-speed processing power of "logical" computers to capture the best of both worlds.

FT LAW REPORTS

Advance payment bond binds insurer

THE MERCERS COMPANY v NEW HAMPSHIRE INSURANCE CO
Court of Appeal
(Lord Justice Parker, Lord Justice Nolan and Lord Justice Scott):
May 12 1992

A NON-REPUDIATORY and unsubstantial breach of a building contract by the employers does not wholly or partly discharge a surety from his joint and several liability under an advance payment bond to repay to the employers unearned advance payments made by them to the contractor.

The Court of Appeal so held when allowing an appeal by the plaintiffs, the Wardens and Commonalty of the Mystery of Mercers of the City of London, from Mr Justice Phillips's decision that the defendant, the New Hampshire Insurance Company, was not liable for monies allegedly due to the Mercers under a bond.

LORD JUSTICE PARKER said Mercers claimed against New Hampshire for monies allegedly due under an advance payment bond.

The bond related to an advance payment of £4.5m made by Mercers to Rush & Tompkins Ltd in respect of a building contract for works to be carried out by Rush & Tompkins for £5m.

The contract provided for Mercers to give possession of the site in mid-May 1989, but the date could be deferred until about the end of June.

Possession was not given until July 24.

From July 24 Rush & Tompkins proceeded with the works. On April 26 1990 it went into receivership and the contract was automatically terminated.

At that time only £1m of the advance payment had been applied. On June 29 Mr Justice Hobhouse granted an application by Mercers for interim payment by New Hampshire. The payment was made and the action proceeded to trial.

On January 13 1991 Mr Justice Phillips held that New Hampshire was under no liability under the bond. He dismissed the claim and ordered repayment of the interim payment. On March 21 he held that interest should be paid for the period in which Mercers had use of the money.

New Hampshire appealed against Mr Justice Hobhouse's order for interim payment. Mercers appealed against Mr Justice Phillips's judgments on liability and interest.

New Hampshire's contention that it was under no liability rested solely on the fact that Mercers failed to give possession of the site in mid-May or within six weeks.

The first issue was as to the nature of the bond – whether it was a guarantee, and if so, of what. That depended on its construction.

Under the bond Rush & Tompkins as "principal", and New Hampshire as "surety", were bound "jointly and severally" to Mercers for £4.5m.

The bond recited that it was given "to save" Mercers "against any and all losses" which might result from Rush & Tompkins's failure "to faithfully employ for the purpose of the contract and liquidate ... all or any portion of the advance payments".

New Hampshire contended that the bond on its true construction constituted a guarantee of performance of the contract, and that the terms of the contract were embodied in the bond by reference.

Mercers contended that the bond was simply a promise to pay a specific sum on a contingency which had happened.

The description of Rush & Tompkins as principal and New Hampshire as surety was consistent with a guarantee, but was followed by a joint and several promise to pay.

That was not consistent with an ordinary guarantee, where the creditor would have a cause of action against the principal debtor for the debt, and a separate cause of action against the guarantor under the contract of guarantee.

Nothing in the document could be construed as a performance guarantee.

Its plain purpose was to ensure that if Rush & Tompkins did not earn the amount of the advance payment, both Rush & Tompkins and New Hampshire should be jointly and severally liable to Mercers for the balance.

New Hampshire's suretyship consisted in no more than making itself jointly and severally liable for unearned balance.

The contention that the bond was a performance guarantee was rejected.

Nor was it a guarantee of Rush & Tompkins's liability to repay unearned balance. Mercers simply wanted the protection given by New Hampshire's joining in the liability.

The second issue was whether Mercers' breach of the building contract discharged New Hampshire from liability under the bond.

National Westminster Bank v Riley [1986] BCLC 268 established that a breach of contract not amounting to a repudiation would not discharge a guarantor unless it amounted to a "not unsubstantial" departure from a term of the principal contract embodied in the guarantee, either expressly or by implication.

Here, the breach was not repudiatory and the terms as to date for possession were not expressly nor impliedly embodied in the bond.

Furthermore, in the context of a two-year building contract, a four-week delay in giving possession could not be regarded as a "not unsubstantial" breach.

New Hampshire was not discharged by the breach.

The next question was whether there was partial discharge.

There was considerable force in the contention that New Hampshire's *prima facie* liability to pay unearned balance should be reduced by the extra amount which Rush & Tompkins would have earned had possession of the site been given according to contract.

However, that could not be accepted. The obligation under the bond was a simple one, to pay unearned balance. Accordingly, New Hampshire was not discharged in whole or in part.

The appeal on liability was allowed. Mr Justice Phillips's order was set aside. Judgment was given for Mercers for £3.4m.

Mercers' appeal as to interest was no longer a reality. New Hampshire's appeal against Mr Justice Hobhouse's judgment was dismissed.

LORD JUSTICE NOLAN said *Riley* was concerned with a bank guarantee, but the principle applied equally to the bond.

The breach of contract was not repudiatory. Just as the four week delay was insufficient to discharge the building contract, so it was insufficient to discharge the bond.

The effect of delay on Rush & Tompkins's ability to satisfy the condition of the bond was, however, substantial. The judge said the evidence suggested that, had the work commenced when it should have done, approximately £500,000 worth of additional work would have been carried out before the group failed.

That was not accepted by Mercers, which put forward calculations leading to figures in the region of £100,000. Even that was a substantial sum.

New Hampshire was not asked to consent to possession being granted four weeks late. There was no justification for saddling it with responsibility for a loss which arose outside the contract and which was due to Mercers' failure.

For those reasons, his Lordship would have allowed the main appeal in part only, and would have remitted the matter to the judge for determination of the amount by which Mercers' loss was due to its delay in giving possession of the site.

In all other respects he agreed with Lord Justice Parker.

LORD JUSTICE SCOTT agreeing that the appeal should be allowed, said there was a sense in which the bond was a guarantee. It imposed on Rush & Tompkins and New Hampshire a joint and several liability to repay Mercers unliquidated advance payment. It would not however be accurate to describe the bond as a guarantee of Rush & Tompkins's obligations under the building contract.

The bond resisted tidy categorisation. New Hampshire's participation was in substance as guarantor, the obligation guaranteed being the obligation of Rush & Tompkins to pay the unliquidated part of the advance payment.

Postponement for four weeks of the date on which possession was given did not affect New Hampshire's liability.

For Mercers: Michael Beloff QC and Susan Prevezer (Masons).

For New Hampshire: Rupert Jackson QC and Richard Wilmot-Smith (Davis Blank Furniss, Manchester).

Rachel Davies
Barrister

PEOPLE

UK advice on US corporate governance

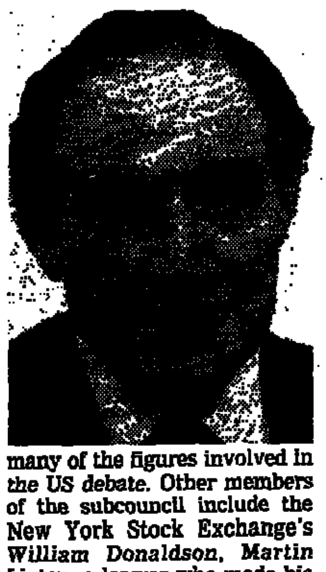
Jonathan Charkham, an adviser to the Governor of the Bank of England, is underscoring his reputation as one of the world's leading experts on corporate governance by being appointed the first foreigner on a US presidential committee examining the subject.

Charkham, 61, is one of 24 members of the newly-established subcouncil on Corporate Governance and Financial Markets chaired by Edward Regan, comptroller of the state of New York. It is one of eight subcouncils of the President's Competitiveness Policy Council which advises the President and Congress on issues affecting the competitiveness of US industry.

The Corporate Governance subcouncil will "study if, and to what extent our current system of corporate governance and the nature of financial markets constrain US corporations' ability to fully realise their strategic plans and to compete in world markets".

Carolyn Brancato, executive director of Columbia Law School's Institutional Investor project, has been appointed staff director of the new subcouncil which will meet three times. Its recommendations will be included in the second annual report of the Competitiveness Council.

Charkham, who has just finished a paper on corporate governance in the US, is already a member of Columbia's Institutional Investor project advisory board and has come to know



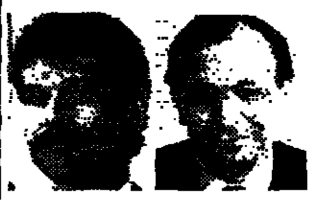
many of the figures involved in the US debate. Other members of the subcouncil include the New York Stock Exchange's William Donaldson, Martin Lipton, a lawyer who made his name in some of the fiercest takeover battles in recent history, John Neff of Wellington Management and Richard Breeden of the Securities and Exchange Commission.

The new council has a much wider remit than Sir Adrian Cadbury's committee on corporate governance in the UK. In addition to the traditional questions about the relationships between directors and managers it will also study "to what extent rapid turnover in securities markets, use of new investment instruments such as derivatives, and heightened attention to quarterly financial statements cause corporate management to function with less than optimal time horizons".

Electronic switches

■ **Angela Bottomley** is promoted to md of THE SOFTWARE PARTNERSHIP's sp/Financial Solutions division.

■ **Geoff Ballard** has been promoted to director of international business expansion at AEA TECHNOLOGY.



■ **Bryan Black** (above left) has been appointed md for the UK of PILOT EXECUTIVE SOFTWARE, the US company which bought Thorn EMI Computer Software this year.

■ **Barry Russell**, formerly service and distribution director at SAMSUNG ELECTRONICS (UK), has been promoted to operations director – Europe. **Brinert Badal-Varda** (above right) has been promoted to financial director and head of personnel and administration of Samsung Electronics (UK).

■ **Nigel Litchfield** has been promoted to vice-president marketing for NOKIA MOBILE PHONES worldwide.

■ **Nick White** has been promoted to marketing director for software products of PRIME COMPUTER SYSTEMS with worldwide responsibility and will be based in Camberley.

■ **Ian Edwards**, previously networks director of Datalect, becomes sales director of KODE COMPUTERS.

■ **Jeffrey Gill**, formerly vice-president – marketing and business development for BT North America, has been appointed chief operating officer of IPC INFORMATION SYSTEMS.

■ **Sadayoshi Mikuni** has been appointed chairman and md of SHARP ELECTRONICS (UK) in place of Tadashi Inoue who has been promoted to president of Sharp Electronics (Europe) based in Hamburg.

■ **David Pullin** has been promoted to software business director, IBM UK.

Sterling stuff

Sterling Publishing, the USM-listed company best known as publishers of Debrett's Peerage, has taken on Clare Whitley for the newly created position of finance director.

Whitley had previously been finance director of Saatchi & Saatchi Advertising International. Sterling managing director Michael Summers says he found her because she had decided to take a sabbatical when the job at Saatchi's "no longer proved a challenge."

Her early training had been at Price Waterhouse, and then Unigate, latterly as group treasurer.

But her more recent experience at Saatchis prepares her well specifically for Sterling, which, as a trade and technical magazine and book publisher, works almost entirely in the advertising-financed sector.

Summers remains cagey as to exactly why he needs a finance director at this point.

A chartered accountant himself, as is his deputy chairman Michael Preston, he says that whereas there had always been enough financial expertise on the board until now, "we are strengthening the management team ready for a period of growth and expansion."

While Sterling dipped well into loss last financial year (ending March 31 1991) Summers contends that this year's results, due mid July, will demonstrate it is again "running in the right direction."

Putting a full time finance director on the board is " a positive step, not a defensive one" he makes out.

Of Whitley, he continues:" We think we've found a real nugget. She arrived on Monday and already has her feet well under the table. She is out now travelling around our subsidiaries acquainting herself with the financial controllers."

Prentice to bond boutique

Sheldon Prentice, one of a diminishing group of bankers to have stayed the course in the Eurobond market since its early days, has been appointed non-executive chairman of Luthy Baillie Dowsett Pethick & Co, a London-based firm which specialises in trading illiquid Eurobonds. The firm was set up two years ago by four other old hands of the Euromarket, Peter Luthy, Iain Baillie, John Dowsett and Jan Pethick.

Prentice left Salomon Brothers last December after a career spanning nearly 20 years. He joined the firm in New York in 1973, then moved to London in 1977, where he ran the new issues business of Salomon Brothers International for close to 15 years, latterly as a managing director of the company.

He was also on the board of the International Primary Markets Association, a trade association for banks and securities firms active as arrangers of Eurobond issues.

He succeeds Andrew Large who resigned to take up the chairmanship of the Securities and Investments Board.

Theatre/Malcolm Rutherford

A Midsummer Night's Dream

There are some greater pleasures in an English summer than watching *A Midsummer Night's Dream* in the Open Air Theatre in Regent's Park, but not many. Even in a summer that promises to be as good as this, it still takes a while to get used to. Strange things fall from the air, the aeroplanes can distract, but within minutes the spell begins to work and, as darkness falls, it is entrancing.

This time last year, it was almost freezing. Blankets and gloves were the order of the day, but it was still worth it. Now the weather is kinder and Ian Talbot's production seems a little gentler than last year's as well. The main change is that Dinsdale Landen has taken over from Roy Hudd as Bottom. I will not say that he is better, but he is certainly different.

Landen is physically a small figure, smaller than the other workmen who perform the play of Pyramus and Thisbe. He seems to get by more by charm than pushing. He is not really bully Bottom, just more enthusiastic than the rest and with relatively delicate manners. When he is given the ass's head, his voice changes and becomes distinctly nasal. He seems embarrassed when Titania falls for him, but gradually grows more pompous as in the line "I have a reasonable good ear in music."

The head itself is a delight. The eyes, the eyebrows, the nostrils, the ears all move. And when it comes off, Landen is left to reflect poetically on Bottom's dream. Perhaps because the interpretation is so modest, this is one of the best Bottoms I have seen. And it is not all Bottom's play. All the workmen excel: see, in particular, George Pensotti as Robin Starveling, the tailor. When it comes to their performance in the Athenian court, some of the audience are laughing so much at the gestures that it is almost impossible to hear the lines.

The lovers star, too. Sarah-Jane Holm was an excellent Hermia last year and repeats the performance. This time there is a wonderful Helena in Anna Patrick who uses her height to the full. When Helena and Hermia quarrel, it is almost a physical combat. The male lovers are not at all bad, but are quite outshone by the women. Hermia is booted off into the outlying bushes as Talbot's production makes use of the Regent's Park space: then she comes crawling back.

If there is a reservation, it is the same as last year: the fairies are a trifle tatty. Gavin Muir's Puck is unnecessarily punk: neither Oberon nor Titania are especially attractive. The lesser fairies look almost too literally like mustardseed and cobweb. I cannot see why they should not be more conventionally pretty.

Still, that is a small matter. The whole performance is a joy, even down to the normally almost unnoticeable part of Philostrate, the master of the revels, played here with great style by Paul Aves.

Open Air Theatre, Regent's Park. 071 935 5756

Alastair Muir

No bully boy: Dinsdale Landen as Bottom in Regent's Park

Cinema/Nigel Andrews

A maze of a movie

The Playboys resembles one of those pocket games where you steer a small silver ball, or several, into the heart of a maze. The silver balls here are stars Albert Finney, Aidan Quinn and Robin Wright, playing a pretty unwed mother and her two suitors in 1950s rural Ireland, and the maze is the film's plot.

Co-written by Kerry Crabbe and Shane (My *Left Foot*) Connaughton, this contains enough blind alleys and colourful digressions to render the unwary intruder stark staring mad. It would also seem to require a director with more sense of direction than Gillies Mackinnon. The Scottish-born film school graduate is known for works like *Conquest of the South Pole* and *Needle* where narrative cogency is a willing casualty of stylistic or structural experiment.

Here we have a story. And the story includes unmarried motherhood, haymaking, suicide by shotgun (Adrian Dunbar as an early adorer of Miss Wright), a band of strolling players (the eponymous Playboys led by Milo O'Shea), a policeman gnawed by amorous jealousy (Mr Finney), a lovable troubadour (Mr Quinn, attached to the said Playboys), smugglers, the IRA, the arrival of television, and *Gone With The Wind* showing at the local cinema. How do you steer your silver balls into that labyrinth?

In the event, the film proves perversely enjoyable: being lost in a maze often is. The happiest conceit was to use the theatre troupe's quick-change repertory of plays – *Othello* one night, something occult the next, *Gone With The Wind* with songs a third – as a comical distorting mirror to the village intrigues. Finney's police sergeant, part volcano, part buffoon, is Othello with a side order of Les Dawson; while Quinn's roguish charm becomes Rhett Butler with a County Cavan accent.

The longer the film lasts, the more accustomed we become to its multi-diversionary style. And the more we sense a harmony in the motifs, which all hint at an old world changing to a new: from the birth of television to the sexual politics of single motherhood. Most unifying force of all is Miss Wright as the swept-several-ways heroine. International pre-sales probably demanded that an American actress play an Irish heroine. But this actress (late of *The Princess Bride* and *State Of Grace*) does so with flawless accent and also suggests Hardyesque depths and strengths to a girl lost in a maelstrom of love, not to mention a maze of a movie.

★

The Lawnmower Man has been hailed as the first Virtual Reality film. VR is the state-of-art system whereby, donning a computerised helmet and glove and sitting in a movement-simulator seat, we can see, hear and even feel imaginary worlds.

Why, given this Promethean gadgetry, we should want to see, hear or feel any of the things featured in this sci-fi thriller directed by Brett Leonard is another matter. The film is not "in" Virtual Reality of course – can you imagine an Odeon Leicester Square full of helmets, gloves and twitching seats? – but about it. Dr Pierce Brosnan, a scientist at Cybertech, performs VR experiments on a retarded gardener (Jeff Fahey) which go horribly wrong. Though transformed from simpleton to superman in about two weeks, Mr Fahey is soon "mowing" people's brains with his telekinetic powers. And when he makes electronic love to a girl via Virtual Reality, the results are disastrous.

Using computer images about as inspired as Disney's ten-year-old *Tron*, the film is an essay in Virtual Fatuity sometimes raised to Achieved Banality. The "real" characters are even less lifelike than their electronic projections. And the progressively inchoate script, based on a Stephen King story crossed with a project of the director's own called *CyberGod*, was probably written in a screenwriting-simulation seat. In this the writer is swayed about by a whole lot of seeming inspirations only to discover on waking that all that remains in his head is colourful gibberish.

Rush is one of those Hollywood thrillers whose plot the critic can intuit in advance by scanning the list of minor characters in his cast list: "Yellow Rose Waitress", "Wino", "Scooter Trash", "Man In Hearse", "Medical Examiner." Ah: must be about petty violence and alcoholic abuse in Texas escalating into death or murder.

Amazing, Holmes. Yes, Watson, but years of schooling in the Virtual Insanity that is cinema teach one, first, that Hollywood does everything by numbers and, secondly, that it cannot add up. So this tale of two narcotics policepersons (Jason Patric and Jennifer Jason Leigh) who risk addiction by using drugs themselves – to impress the dealers they wish to entrap – moves powerfully through early and middle scenes only to collapse near the end.

The climax has our hero and heroine "hiding" from the villains, after blowing the whistle on them, by spending the night in a lonely, exposed caravan park about a mile from the nearest telephone. Dear me. Are you surprised when Miss Leigh wakes up to find the Chief Baddie's shotgun in her mouth?

Cue screams, blood pellets and homilies over the receding stretcher. Before this, erstwhile producer Lili Fini Zanuck (*Driving Miss Daisy*) makes a fair fist of her directing debut. She pummels tension into some over-wordy scenes – screenplay by Pete Dexter from the bestselling book by narcotics cop and ex-addict Kim Wozencraft – and she coaxes a beautiful performance from Miss Leigh. This pudgy-pretty actress, recently memorable as the live-in lover of a psychopath (Miami *Vice*), deftly suggests the quiet birthpangs of panic. Watch her face in one scene as masquerade changes to reality and she watches her partner forced to inject real heroin.

Robert Townsend's *The Five Heartbeats* is an early harbinger of the summer silly season. Subject: the rise and disintegration of a black rock group. Time: 1960s. Intellectual level: the same as that of last week's *The Mambo Kings*.

But where that had style and Armand Assante, this has schmaltz and five black actors going OTT. The perky wit that marked Townsend's first feature *Hollywood Shuffle* is replaced by a game of Guess The Next Cliché. Will it be the lead vocalist who falls horribly apart on drugs? Or the nice manager who is knifed in the back by the nasty one? Or the final reunion in which the band forgets its differences and sings its heart out, oblivious to the scuffle in the cinema auditorium as spectators compete to be first through the exit door.

THE PLAYBOYS
Gillies Mackinnon

THE LAWNMOWER MAN
Brett Leonard

RUSH
Lili Fini Zanuck

THE FIVE HEARTBEATS
Robert Townsend

Ballet/Clement Crisp

La Fille mal gardée

For two centuries, *La Fille mal gardée* has been one of the happiest and best loved of balletic comedies. It was born in Bordeaux on July 1, 1789, on the eve of the French Revolution. Its choreographer, Dauberval, was a man of rare dramatic abilities who produced ballets in which, he said, "I do not just want to please the eyes. I must interest the heart".

His enchanting pastoral narrative – worthy of Molière – proved irresistible, and has interested hearts ever since. *Fille* was re-staged throughout Europe in the 19th century, revised, altered in step and score, given in theatres grand and modest, and then, for British audiences, gained its ultimate and most adorable form in Ashton's 1960 masterpiece for the Royal Ballet.

But what of Dauberval's original? We can hazard guesses at late-18th century technique and staging, but nothing remains (save a fragment of choreography by Galeotti in Copenhagen) of the dance or the dance manner that would be finally swept away by the wave of Romanticism. Scholarly reconstruction seeks to turn guesses into some sort of theatrical reality, and if we view such archeology with the eye of faith and a generous spirit, then the result can be something like. Neither true nor completely (we hope) untrue, the restoration opens a window on to the past. Just so the version of *Fille* that the Ballet du Rhin has brought to London on the occasion of its first visit.

The company, based in Mulhouse, is directed by Jean-Paul Gravier who, when heading the Ballet de Nantes, invited Ivo Cramer to make a reconstruction of Dauberval's original *Fille*. Cramer is a distinguished Swedish choreographer and scholar, expert in pre-Romantic dance style. The presence of a Dauberval manuscript in Stockholm (where *Fille* was first seen in 1812) with details of the staging, and Ivor Guest's happy discovery of the original Bordeaux score, provided valuable references for Cramer's production. The result was charming, persuasive, and when Gravier moved to the Ballet du Rhin two years ago, he brought with him this touching piece of balletic history.

Alastair Muir

Sandrine Moreau as Lison

And how like – and how unlike – it is to the *Fille* we know with the Royal ballet! The action is exactly similar, with the addition of a final harvest-field divertissement, and there are even fragments of the score which correspond with the Herold version we know today. Cramer's score has been expertly edited and orchestrated by Charles Farncombe, and probably given a good deal more musical dignity than it first knew. How much is owed to Ivor Guest's discovery we are not told – the programme book could, with advantage, have been more informative – but what we hear is pretty, often elegant, and Herold's borrowings for his version give us a touching link with the ballet's beginnings.

What we see is a dance drama performed with a nice simplicity of manner, in a dance style that stresses quick, light footwork, decorous positions (though a couple of Cramer's lifts seem to me anachronistic), and a freshness and vivacity of manner that wins the heart. Incidents are short-breathed, but choreographic patterns – owing something to social dance forms – are felicitous.

The Ballet du Rhin artists are charmers all, with Sandrine Moreau very pretty as Lison – she looks exactly like one of Friedric Schall's portraits of dancers of this period, found in the Ephrussi-de Rothschild Museum at Cap Ferrat – James Amar an elegant Colas, and Jean-Paul Gravier an energetic Ragotte, which is Mother Simone's new name.

The ballet has been enchantingly dressed by the film-maker Dominique Delouche, and given suitably straight-forward decoration by him, complete with chandeliers on stage to remind us of the correct stage lighting. The score sounded beguiling, with the Wren orchestra under Stephen Lade. The evening is gentle, and a delight.

The Ballet du Rhin presents *La Fille mal gardée* at Sadler's Wells on June 4, 5, 6, 12, 13; a triple bill of modern work can be seen on June 9,10. The visit is sponsored by the Association Française d'Action Artistique and the Opéra du Rhin.

Piano recitals/Andrew Clements

Feinberg & Richter

Under its new regime the Institute of Contemporary Arts has restored contemporary music to its programming. The ICA has already this year sheltered a number of short concert series. On Sunday evenings throughout the spring it has been presenting New MusICA, a series of piano recitals devised by Adrian Jack, whose original MusICA programmes were one of the most valuable and distinctive strands in London's new music in the early 1980s. The reborn series promises to concentrate on those same areas of the repertory that tend to fall outside the regard of the new-music mainstream, and often features performers whose work remains undervalued in this country.

Last Sunday's recital was given by Alan Feinberg, who made his British debut in MusICA in 1985; he has gone to establish himself as one of America's leading proponents of present-day music. In what was easily the most conventional programme of the series Feinberg included two works written for him – Shulamit Ram's 1982 *Verticals*, and Charles Wuorinen's Third Piano Sonata from 1986. Both belong to the brash, noisy school of American piano writing.

For all its technical adroitness Ram's piece was a disappointment, especially from a composer whose works are getting increasing acclaim (including a Pulitzer Prize) in the US; it is heavy on rhetoric and short of distinctive ideas. Wuorinen's sonata too buries most of its substance under a welter of notes. Yet Feinberg plays such music dazzlingly, with fine control and pinpoint articulation; he makes a very persistent advocate. It was surprising, though, that the Ravel and Fauré pieces with which he'd begun were made so unprepossessing, monochrome and unidiomatic in music that demands much more care, style and fine judgment.

★

In Birmingham's Symphony Hall on Tuesday Sviatoslav Richter gave the programme he had cancelled in London nine days earlier: a sequence of Brahms piano pieces was prefaced by some of the most arcane and rarely performed of Bach's early keyboard works. The recital only intermittently reached the heights of Richter's appearance in the Festival Hall last week; at its finest it was magnificent, but in other places textures were smudged and passage work garbled, to the extent that the poise and shape of the music was sometimes under threat.

The Bach toccatas that made up the bulk of the first half are problematic pieces; one of them in D, masquerading as a "Sonata", is very inferior, four-square stuff indeed. But Richter treated them all with deep seriousness, explosively attacking their bravura elements, colouring the slow sections with grace and charm, if never quite managing to disguise their rougher corners. The approach was far more robust and straightforward than his famous treatment of the Preludes and Fugues; that kind of minutely detailed, rapt intensity might in any case have seemed out of place in a space as large as Symphony Hall.

The proportions of the Brahms performances were never in doubt. The pieces emerged almost in a single sweep, with only the C major Capriccio from Op. 78 appearing slightly misjudged. The first two Ballades of Op. 10 had vividly dramatic central episodes, the D minor in particular generating a terrifying climax out of virtually nothing; the G minor Rhapsody Op 79 no. 1 was tautly controlled, every element slotted into its place in the scheme. The final collection of pieces from Op 118 and Op 119 appeared to have been planned as a self-contained grouping in itself, alternating extroversion with intensely wrought tragedy. The E flat minor Intermezzo was its highpoint, wandering through its dark harmonic world with the merest glimmerings of light and shade, and a central theme made to heave itself up by its bootstraps.

INTERNATIONAL ARTS GUIDE

■ AMSTERDAM

Concertgebouw 19.30 John Eliot Gardiner conducts the English Baroque Soloists and Monteverdi Choir in a concert performance of Così fan tutte. Tomorrow: Nikolaus Harnoncourt conducts Schubert, with Dietrich Fischer-Dieskau. Sat: Edo de Waart conducts a concert performance of Schreker's Der Schatzgräber (6718 345)
Muziektheater 19.30 Nikolaus Harnoncourt conducts Alfred Kirchner's production of Don Giovanni, with William Shimell and Gilles Cachemaille, also Sat. Tomorrow and Sun: Nederlands Dans Theater (6255 455)
Beurs van Berlage 20.15 Lev Markiz conducts Netherlands Chamber Orchestra in works by Lekeu, Mozart and Weber (6270 466)

■ COLOGNE

THEATRE
A new production of Die Soldaten, an anti-establishment play by the 18th century German dramatist Jakob Michael Lenz, opens tomorrow at the Schauspielhaus, where the repertory also includes plays by Dürrenmatt, Genet and Edward Albee (221 8400).
CONCERTS
Mozart in Paris is the title of tonight's concert by the Cologne Chamber Orchestra in the Philharmonie. Tomorrow: Leonard Slatkin conducts Prokofiev's Alexander Nevsky and Verdi's Four Sacred Pieces. Next week's programme includes matinee talks by Dietrich Fischer-Dieskau and Elisabeth Schwarzkopf, and performances of Mahler's Second Symphony conducted by James Conlon. Sergiu Celibidache gives two concerts with the Munich Philharmonic at the end of the month (2801)
OPERA/DANCE
A double-bill of Rossini comic operas is at the Opernhaus tomorrow and Sun. The repertory also includes Jochen Ulrich's choreography Vom Zorne des Achilleus and Un ballo in maschera (next Wed and Wed) with Neil Shicoff (221 8400)

■ FLORENCE

MAGGIO MUSICALE
Teatro Communale 20.00 Zubin Mehta coducts first night of Lorenzo Mariani's new production of La forza del destino. Runs till June 16, next performance on Sun (277 9236)

■ LEIPZIG

Gewandhaus 20.00 Kurt Masur conducts Gewandhaus Orchestra in Beethoven's Triple Concerto (Beaux Arts Trio) and Strauss' Alpine Symphony, repeated tomorrow. Sat: Haydn's Creation. Next Tues: Cristobal Halffter conducts works by Halffter and Falla (7132 252)

■ LONDON

THEATRE
● Henry IV Parts I and II: Adrian Noble's highly-praised RSC production, starring Michael Maloney and Robert Stephens, can be seen together or separately, on the same day or on consecutive days (Barbican 071-638 8891).
● A Midsummer Night's Dream: first production of New Shakespeare Company's summer season in Regent's Park. Daily except Mon (Open Air 071-486 2431).
● A Slip of the Tongue: Dusty Hughes' new play about a Czechoslovak professor's relationships with his women students during the 1989 revolution (Shaftesbury 071-379 5399).
● Mad, Bad and Dangerous to Know: Derek Jacobi and Isla Blair in a musical play based on the life and work of Lord Byron. Until July 4 (Ambassadors 071-836 6111).
● For ticket information about all West End shows, phone Theatreline from anywhere in the UK: Plays 0836 430959 Musicals 0836 430960 Comedies 0836 430961 Thrillers 0836 430962
MUSIC
Covent Garden 19.00 I Puritani with Sumi Jo, Giuseppe Sabbatini and Dmitri Hvorostovsky. Tomorrow: La bohème. Sat: Salome. Next Mon: new production of Der fliegende Holländer with James Morris and Julia Varady (071-240 1066)
Coliseum 19.00 Nicholas Kok conducts David Freeman's ENO production of Monteverdi's Ulysses, with Anthony Rolfe Johnson and Jean Rigby, also Mon. Tomorrow: Madam Butterfly. Sat: Falstaff (071-836 3161)
Royal Festival Hall 19.30 Semyon Bychkov conducts Philharmonia Orchestra in works by Berlioz, Ravel and Tchaikovsky, with Zoltan Kocsis piano soloist. Sat: Neeme Järvi conducts the Philharmonia. Sun: Music for Life, festival of music and entertainment for Aids relief (071-928 8800)
Barbican 19.45 Kiri te Kanawa is soloist in a programme of Mozart and Strauss songs, with the LSO conducted by Kent Nagano, also Sun. Sat: Melvyn Tan plays Beethoven's Broadwood piano, in a programme conducted by Roger Norrington (071-638 8891)

■ MILAN

Teatro alla Scala 20.00 Myung-Whun Chung conducts André Engel's production of Lady Macbeth of Mtsensk, with Mara Zampieri, also Sat. Tomorrow: Lucia di Lammermoor. Sun: Riccardo Muti conducts symphonic works by Lutoslawski, Bartok and Elgar, with Christa Ludwig soloist in Mahler's Rückert Leider (7200 3744). Sat at Milan Conservatoire: Hans Zender conducts Ensemble InterContemporain in works by Donatoni, Zender and Schoenberg (7201 0888)

■ PARIS

Opéra Bastille 20.00 Song recital by José Carreras. Next week: Le nozze di Figaro (4001 1616). Tomorrow and Mon at Châtelet: Wozzeck (4028 2840)
Salle Pleyel 20.30 Jeffrey Tate conducts Orchestre National de France in works by D'Indy, Scriabin and Sibelius (4230 2308)
Théâtre de la Ville 20.30 Cullberg Ballet in two choreographies by Mats Ek, also tomorrow and Sat. A second programme follows next week (4274 2277). Tomorrow in Palais Garnier: Ballet de l'Opéra de Paris in choreographies by Neumeier, Petit and Lander (4017 3535)
Grand Auditorium de Radio France 20.30 Hossein Ali Zadeh plays traditional music from Iran (4230 2308)

● A 24-hour recorded telephone guide to Paris entertainments is available in English by dialling 4720 8898

■ PRAGUE

Horst Stein conducts the Czech Philharmonic Orchestra in works by Mozart, Berg and Beethoven (with Viktoria Mullova violin soloist) tonight and tomorrow at the Smetana Hall (231 9164). Tomorrow at Estates Theatre: Don Giovanni. Sun: National Theatre has Katya Kabanova, and Smetana Theatre has Die Entführung aus dem Serail. The next new opera productions are Hurnik's The Lady and the Robbers (June 25) and L'Italiana in Algeri (June 27). For pre-booking and information about other events, contact city centre ticket agencies (Bohemia, Na Prikope 16, 228738, or Melantrich, Wenceslas Square 38 in the passage, 228714) and theatre box offices.

■ VIENNA

Staatsoper 19.30 Il barbiere di Siviglia with Vesselina Kasarova as Rosina. Tomorrow: Prokofiev's ballet Romeo and Juliet. Sat: Boris Godunov. Sun: Die Zauberflöte (51444 2960)
Musikverein 19.30 Vienna String Quartet plays works by Zemlinsky, Haydn and Dvořák. Tomorrow: Mirella Freni and Nicolai Ghiaurov. Sun and Mon in Brahms Saal: song recital by Josef Protschka (505 8190)

■ ZURICH

Opernhaus 19.30 Heinz Holliger conducts the Ponnelle production of Die Zauberflöte, with Hermann Prey and Gösta Winbergh. Tomorrow: L'Italiana in Algeri. Sat: La forza del destino. Mon: Lohengrin (262 0909)
Tonhalle 19.30 Roberto Duarte conducts the Tonhalle Orchestra in works by Mignone, Villa Lobos and Ficarelli (201 1580). Tomorrow: Maurice André plays trumpet concertos with the Zurich Chamber Orchestra (252 1737)

European Cable and Satellite Business TV

(all times CET)

MONDAY TO FRIDAY

CNN
2000-2030, 2300-2330 World Business Today – a joint FT/CNN production with Grant Perry and Colin Chapman

Super Channel
0830-0900 (Mon) FT East Europe Report – weekly indepth analysis from FTTV
2130-2200 (Tues) Media Europe – what's new in European media business
2130-2200 (Wed) FT Business Weekly – global business report with James Bellini
0830-0900 (Thurs) Media Europe
2130-2200 (Thurs) FT Eastern Europe Report
0830-0900 (Fri) FT Business Weekly

Sky News
0130-0200 (Mon), 2130-2200 (Thurs), 0530-0600 (Fri) FT Business Weekly

SATURDAY

CNN
0900-0930 World Business This Week - a joint FT/CNN production
1900-1930 World Business This Week

Super Channel
1930-2000 FT Eastern Europe Report

SUNDAY

CNN
1030-1100, 1800-1830 World Business This Week

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1800-1830 FT Business Weekly

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FINANCIAL TIMES

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Thursday June 4 1992

The EC after the veto

THE DANES' rejection of the Maastricht treaty is a substantial setback for the politicians and bureaucrats in Brussels and Copenhagen, both of whom fought to win a "yes" to European union from this small and sceptical electorate. But all is not lost, certainly not for the European Community, or even for hopes of economic and monetary union. There could even be gains.

What may now have to be devised, though only after careful and cool reflection, is an EC that allows still greater diversity of commitments among its members than envisaged in the Maastricht treaty. Such a Community would, in any case, best tackle the twin tasks of widening and deepening that confront it.

The referendum cloud which descended yesterday on Brussels *contains* silver linings. From the moment the ink was dry on the Maastricht agreement, it has been evident that the treaty contained powerful contradictions. By sharpening the focus of governments and electorates on what was agreed by the River Maas, some of these contradictions may now be resolved.

Whether a more positive outcome is reached will depend on how the rest of the EC reacts to the Danish shot fired across their collective gunwales. Hard though it might be, Mr Jacques Delors, Mr Helmut Kohl and Mr François Mitterrand should try to avoid falling into depression.

There are ways to resolve their *immediate problem. It might*, for example, be possible for the other 11 nations to implement important parts of the Maastricht agreement – *for* instance, on economic and monetary union, or on foreign policy co-operation – by swiftly moving to a new legislative basis, independent of that agreed last year.

The 11 could even carry on the ratification process presently in hand and hope to steer the Danes on board, perhaps through yet another referendum. Yet the tone of "Euro-business as usual" adopted in Bonn and Paris yesterday is not entirely convincing.

The problem is not merely that the legitimacy of the consent granted by the Danish people in such circumstances would have to be doubted. The greater difficulty is that the Danes may be articulating doubts that are more widely shared. If the leaders of Europe have, in fact, advanced too far ahead of their peoples, they leave not merely themselves but the achievements of the EC itself vulnerable to populist, even xenophobic counter-attack.

Better than attempt to continue with business as usual would be to take stock and consider how best to deal with the challenge now presented.

Wildly irresponsible

In the first place, it would be wildly irresponsible to suggest that the failure to ratify this treaty, should that eventually happen, must threaten the achievements of the EC. The EC, *as it is*, is the basis for the prosperity and stability of western Europe. A failure to go forward would not make it necessary, let alone advisable, for anyone to dream of going backwards.

In the second place, it might be wise to consider ways of allowing member states to go beyond where they are now at different speeds and even in different ways. The Schengen group of countries committed to the abolition of border controls is an example. The Benelux was an earlier one.

It would not be impossible, for example, for a treaty on economic and monetary union to be agreed among a number of member states, even on the lines agreed at Maastricht. Any central bank thus set up would ultimately replace the Bundesbank within the EMS, leaving to outsiders the same relationship with the core participants as they now have.

Irregular shifts

In the third place, a more fluid structure would have the merit of making enlargement of the EC easier than seemed possible under the Maastricht framework, without further administrative change. Progress towards a more united Europe would then occur through irregular shifts, with the different countries *maintaining* freedom to decide which of several concentric European circles of integration they wish to join.

Last but not least, inflation convergence and exchange rate stabilisation within the EC (indeed, within western Europe as a whole) predates the debate about Emu, let alone the outcome of the intergovernmental conference. There is no reason why it should not continue, even if the prospect of Emu were to become less immediate.

The reason for convergence was the willingness of EC member states to pursue the necessary policies. The orthodox doctrine has spread in the course of the 1980s from its Germanic core to places as far afield as Dublin, London, Madrid and Lisbon. It is an economic, not a political, doctrine. Governments must now restate their commitment both to exchange rate stability and to the fiscal policies laid down in the Maastricht treaty. They should do so, for the sound reason that it is in their own individual interest to do so.

If the member states make such a commitment credible, then the disruption in bond and exchange rate markets that some now fear need not happen. In fact, long-term interest rates – the best single measure of the markets' expectations for long-term inflation and exchange rates – are no closer together than are the current rates of inflation. So the markets do not seem to be persuaded that Emu is inevitable. Provided governments act appropriately, markets should also not conclude that continued convergence is impossible. For some countries this poses a major challenge, Italy being the most important. But *it* is a challenge that Italy would have had to meet, in any case.

The essential requirements now are neither to panic nor to ignore what has happened. It would be wrong to panic, partly because so much has already been achieved within the EC; still more because the members of the EC possess other ways of achieving the integration of Europe as a whole.

It would be equally foolish to ignore what has happened. The EC is an association of democratic states. It will survive only with the consent of its peoples. The failure to win that consent must lead to consideration of why that has happened. If policymakers must now rethink at least some of what they agreed, so be it. In the long run, only thus will they be able to build a durable, contented and integrated Community.

Council review

CAUTION and pragmatism, not wholesale *restructuring* according to some *pre-ordained* blue*print*, are to be the guiding lights for the Local Government Commission, soon to set about its business of reviewing the structure of local councils in England. Despite statements made by Mr Michael Heseltine *last* year, Mr Michael Howard, the new environment secretary, said yesterday that the commission is to harbour no prior assumptions as to the superiority of unitary authorities. Instead, efficiency, coupled with local sentiment and tradition, are to be the criteria for reform, and Sir John Banham and his colleagues are to be given several years to complete their work.

Operating table

This is to be welcomed. Britain's local government has spent most of the last 20 years on Whitehall's operating table. Convalescing as it is from the poll tax, it remains in intensive case with further council tax traumas in the offing. Root and branch restructuring is the last thing it needs. Where manifest anomalies are identified, let *them be tackled. Some of the* larger cities currently stifled within county councils might well benefit from restoration of county borough status. But if it works, and the local community is other than strongly dissatisfied, don't *try to fix it.*

Nonetheless, local government's structure cannot be divorced from its functions – and central government may be about to make such an approach impossible by significantly reducing those functions.

Steady increase

All depends on the education white paper due next month, which is to set out the future organisation *of state schools* assuming a steady increase in the number opting out of local education authority control. Even without direct control of schools, local education authorities could retain important functions relating to monitoring and the planning of local provision. But there is a strong Tory lobby which wants to withdraw even those functions from local government. Since county councils are primarily education authorities, most of their *raison d'être* would disappear if ministers opt for the radical course. The case then for a single-tier structure would be well-nigh unanswerable.

The future of the education service will thus have more bearing on the future shape of town halls than will anything else. This only strengthens the case for the commission to proceed with caution.

Denmark's rejection of the Maastricht Treaty poses a grave threat to hopes for European integration, writes **David Buchan**

Mutiny rocks EC ship of state

Ratify *or be damned*. This was how Denmark's EC partners, and the European Commission, yesterday reacted to the thumbs down given *by the Danish electorate on* Tuesday to the Maastricht Treaty on political and monetary union. Since they will not now ratify the treaty, Danes can expect damnation, or at least to be cast into Community limbo.

Some EC leaders were more diplomatic than others. Mr Jacques Delors, the Commission president, warned of "consequences not only for the Community, but for Denmark and Danes". Mr Jöao de Deus Pinheiro, the Portuguese foreign minister who has the unenviable task of being in the EC presidency chair at this crisis moment, was very blunt.

"We can't have a member state which does not accept the fundamental goals of the Community [as contained in Maastricht] continuing to be a member state," he said. "It could have another status, another relationship with the EC."

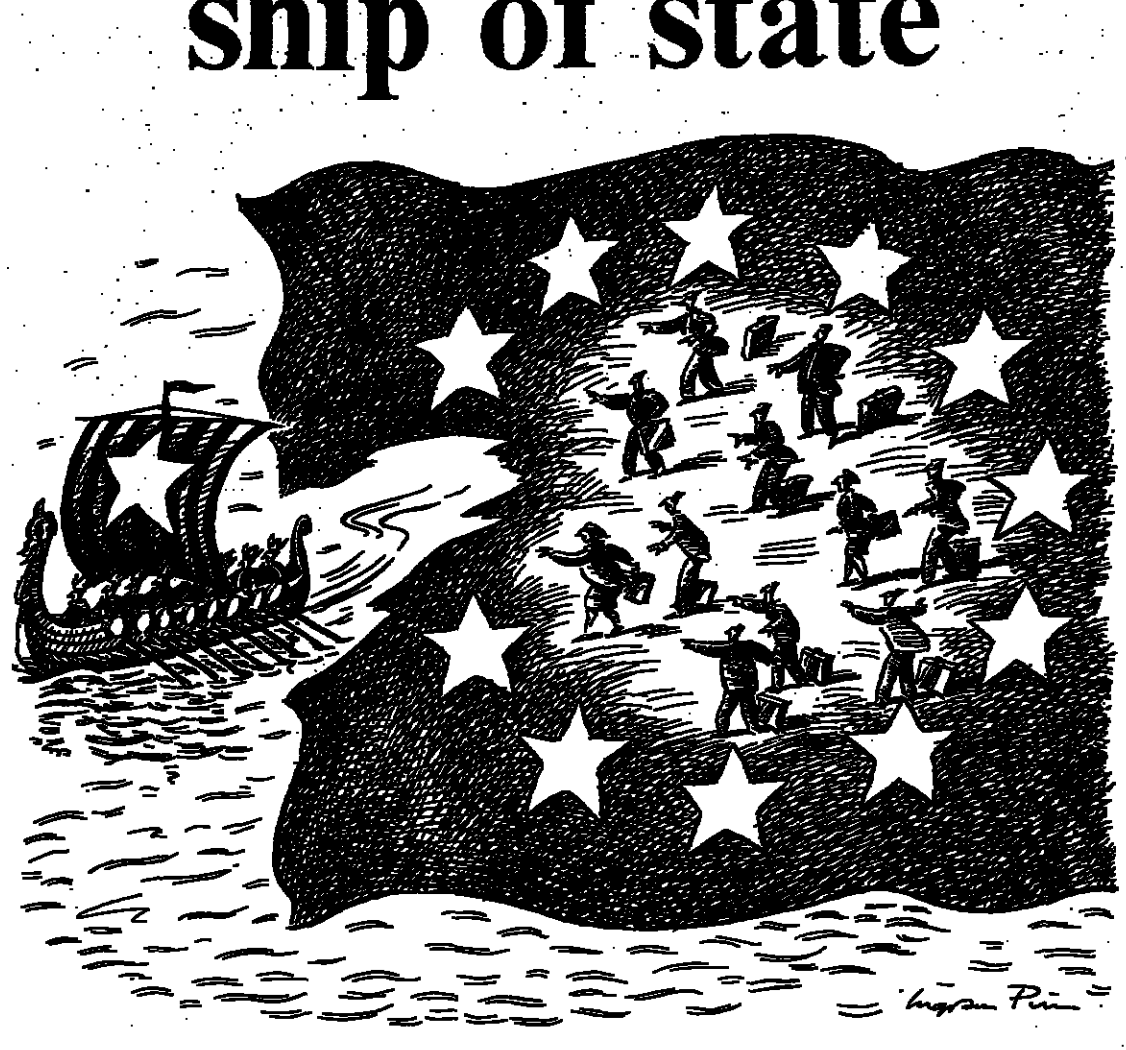
President François Mitterrand and Chancellor Helmut Kohl said they regretted the Danish decision, but pledged "their determination to realise the European union unswervingly". Mr Douglas Hurd, the UK foreign secretary, said the Danish vote was "not a reason to stop others going ahead".

Do Denmark's partners mean business or just bluster? That will become clearer later today when EC foreign ministers hold an emergency meeting while they attend a Nato gathering in Oslo. But it is clear that the small number of Danish voters – *some* 46,000 – who tipped the referendum against Maastricht have precipitated the worst Community crisis since 1965. *It was then that General Charles De* Gaulle took France out of the Council of Ministers, insisting that his partners could not make decisions in his absence. They refused, stiffened by Dutch resistance, and six months later France came back into the Council.

There is a parallel to today's crisis. "If Denmark's 11 partners stick together on Maastricht, this will not be a big crisis," said a senior EC official yesterday. "But if they start to have second thoughts, then this will indeed be a big crisis." It is not a question of facing down a Danish government, which is wholly mortified by what its voters have done. Even if it were, small Denmark faces 11, mostly larger, partners; big France dominated the original six.

It is the dark doubts that so many countries have, or have had, about aspects of the great integrationist leap of Maastricht that are the difference between now and the 1965-66 crisis. . Darkest of these doubts is whether governments are not simply way ahead of their populaces in their acceptance or enthusiasm for tighter European integration. The only test of that would be *to put Maastricht to a EC-wide* plebiscite, which no-one is proposing. But Mr Mitterrand yesterday grasped part of the nettle by announcing a French referendum on Maastricht; his gamble, high-risk for his own political domestic fortunes, is for a resounding French Yes to quash the impact of the marginal Danish No.

The initial, flat refusal yesterday of Denmark's partners to renegotiate Maastricht reflects their fear that the treaty was like a boat, carried safely to harbour by a high-tide of Europeanism that may now be ebbing away. Renegotiation could well sink it, in new cross-currents of fears about central control from



Brussels; about immigrants flooding across newly-opened borders *within* the EC; about Maastricht's new powers for the European Parliament robbing national parliaments of their legislative birthrights.

Any renegotiation of Maastricht would also invite a double broadside against its key provisions for economic and monetary union (Emu) and common foreign and eventually defence policies. Bonn would almost certainly not be able to renegotiate Emu, unless it

Maastricht's death might not make Mitterrand and Kohl any less keen to pursue their plan for a European army corps

secured the clear-cut opt-out that Britain and Denmark won; and if Germany were allowed a "maybe" commitment to Emu, all momentum would be lost. The Maastricht commitment to a European foreign policy and defence would also be eroded by the Atlanticists – the UK, Portugal and the Netherlands – and by neutral Ireland and by Denmark, many of whose citizens showed this week that they want to keep the Community in civvies, not in military uniform.

But before *Maastricht's opponents* drain their champagne glasses, they should spare a thought about what might happen if the treaty dies. Its death will not necessarily mean the death of Emu or of European defence, Indeed, both could occur on terms vastly less pleasing to most EC states. As Mr Karl Otto Pöhl used to say, only half-jokingly, when he was Bundesbank president, Germany is ready right now for Emu with some of its immediate neighbours – France, the Benelux (and he used to mention Denmark).

But there would not be any democratic European structure to such a monetary union, outside the Community. Breathing a sigh of relief at not having to take in spendthrift southerners, or Britons, Germany could pick and choose its partners for a northern continental currency club. Emu on these terms might be very attractive to many of those Germans who currently rail against Maastricht. And the loud howls from excluded Italy would not make it any less so.

Likewise, the death of Maastricht might not make President Mitterrand and Chancellor Kohl any less keen to pursue their plan to create a European army corps by 1995. It might render them keener. At present, they only have a rather implausible joint brigade of 4,000 men. But in the absence of partners, they might try to put substantially more *of their armies together. More* important, Maastricht enshrined the Western European Union, the nine-nation defence organisation with established links to Nato, as the body through which Europe would develop its defence interests. Any European force would come under a WEU umbrella. That umbrella could be blown away along with Maastricht, making the Americans even more irritated about Franco-German rivalry to

It was enlargement, or rather its implications for EC integration and institutions, that may have just tipped the Danish vote

Nato than they already are.

These, then, are some of the stakes involved in the current Maastricht mess. There are, basically, two ways of sorting it out. The first is for the 11 to stick to the line that most of them espoused yesterday. *This involves them all* plodding on with ratification, as if Tuesday's Danish rejection had never happened. Then, at the end of the year, they would tell Denmark to find some way of approving Maastricht, or take itself out of the Community at least out of the European Union created by Maastricht.

The second option would involve listening carefully to what the Danish government suggests might mollify its voters, and trying to do something *about it. A compromise* might exploit the fact that the European Union contains three "pillars", in the Maastricht jargon – one covering standard EC business (enlarged to Emu), and two "inter-governmental" pillars covering foreign, defence, police, immigration and home affairs. It was not ruled out in Brussels yesterday that Denmark could stay in the EC, but forego participation in the new inter-governmental business. *Myriad* problems leap to mind; for instance, what about sanctions on Serbia which are decided inter-governmentally by all 12, but implemented by EC machinery? "But, *legally, we can always arrange* something," said an EC expert.

The snag about letting countries dine *à la carte* off the European menu – as the complaints that followed Britain's Maastricht opt-out clause on social policy highlighted – is that it opens the way to ever-greater fragmentation of Community activity. In particular, if Denmark can pick and choose, why cannot the new members queueing to join the EC?

Ironically, It *was enlargement*, or rather its implications for EC integration and institutions, that may have just tipped the Danish vote against the treaty. At President Mitterrand's suggestion, last December's Maastricht *summit* decided to ask the Commission to prepare a report for this month's Lisbon summit on how the Community could cope with a more numerous membership.

The Commission has taken the study *seriously*: perhaps, it belatedly realised, too seriously. Certain ideas for the report, which is still not finalised, started to leak out a month ago. These included reducing the required minimum votes for taking decisions by majority and transforming the Commission into a more powerful executive, particularly on the foreign policy side.

Alarmed at seeing all his work on Maastricht, particularly on Emu, slip away, the Commission president *back-pedalled by rightly denying* these ideas had any official status. But this was not before newspaper headlines such as "Delors wants to rule Europe" had had their impact in Denmark.

It is equally ironic that Danes were yesterday being sharply criticised by some of their fellow Nordics.

The one certain consequence of the Maastricht mess is that, unless it is very speedily sorted out, it will prevent accession negotiations with Sweden, Austria, Finland and Switzerland starting, as the forthcoming UK presidency planned, next January. Thus, Denmark may bring down on its heads the wrath of its fellow Nordics in Sweden and Finland, while perhaps indefinitely deferring an EC entry application from Norway.

Another item on the Community's agenda – that of its future financing over the next five years – now becomes even more pressing. Spain has warned that it will not ratify Maastricht until it get satisfaction on more "cohesion" cash, via the EC budget, from northern countries. But the latter may now reply: "What's the point in paying *the bill for Maastricht, with Maastricht* itself in such doubt?" On such issues, the united front which Denmark's EC partners sought yesterday to present could well come apart.

BOOK REVIEW

Bureaucrats unbound

THE FUTURE OF WHITEHALL
By Oonagh McDonald
Weidenfeld & Nicholson, £19.99, 212 pages

MANAGING PUBLIC SERVICES
By Richard Common, Norman Flynn and Elizabeth Mellon
Butterworth-Heinemann, £30, 152 pages

The revolution begun in Britain's public services by Mrs Thatcher is reaching into the heart of Whitehall, with the announcement this week that up to 25 per cent of civil servants could find themselves competing for their jobs against the private sector. The public services minister, Mr William Waldegrave, told a conference in London that the extension of compulsory competitive tendering from local to central government was the next step in raising *the quality and cost-effectiveness of the civil service.*

Already some parts of the government machine have been privatised. Others have been hived off in executive agencies with management autonomy from Whitehall. The parts which remain must now adapt to a new culture of contracting-out and managerial efficiency – with the Citizen's Charter constantly demanding higher-quality services and promising compensation if performance falls below standard.

Yet good government is much more than the efficient delivery of services, as Dr Oonagh McDonald shows in her thorough account of 13 years of radical change in the civil service. Public services remain in the public sphere because they are required to address non-market objectives, such as equality of treatment and public accountability.

These objectives often conflict with profit-maximising. Offering equal access to public transport will make it harder to make a profit, for example. And the regulation of safety standards is too sensitive to be delegated to bodies which are not subject to democratic accountability.

The government's reforms aim to create quasi-markets in the public services. Competing organisations from the public, private and voluntary sectors provide services under contract to purchasing bodies such as health authorities, local councils and – soon – central government departments.

Yet public services are not entirely free to respond to market signals. Under-used jobcentres or vehicle testing stations often cannot be closed because of the need to maintain a nationwide network. Charges may be determined by statute or be subject to other controls. Competition against the private sector is forbidden or constrained.

And there is often no identifiable *consumer* whose satisfaction can be the determination of success. Who is the customer to be satisfied by the prison service – the prisoner, the judicial system or the public?

The complexities created for public sector managers by these quasi-markets are explored by Common, Flynn and Mellon in their fascinating guidebook to managing such reforms. Drawing on extensive experience of consultancy in the public sector, they offer a range of strategies for improving *efficiency* within publicly accountable services. Their recommendations are expertly illustrated by case studies of nine public services, from the social security benefits agency to *London buses.*

Many of their prescriptions will seem commonplace to those in the private sector. For example, they advocate research to find out just what the customer wants. Yet this is a necessary counterweight to a culture in which the customer has had to make do with what the pub*lic service is prepared to offer.*

They also call for new approaches to personnel, management and training. People working in the public services must cast off the bureaucratic approach and learn to take individual initiative. More leadership is needed, rather than just management.

Decision-making should be devolved so that real power is exercised closest to the customer. Decentralisation is not without its dangers when administering tax and benefits, for example – equality of treatment can crumble if frontline staff exercise discretion. Yet managers who are asked to bear extra responsibility will soon be demotivated if they are given no *real power to affect matters.*

The existing constitutional arrangements under which public services are run do little to help. The doctrine of ministerial responsibility encourages ministers, MPs and the taxpayer to believe that politicians should be responsible for every last aspect of the public services. Managers all too often have the rug pulled from under their feet by their political paymasters for short-term political expediency.

The politicians should certainly remain accountable for the general policy behind the public services. But day-to-day responsibility must be passed down to managers empowered to improve service *delivery. New forms of accountabil*ity are needed which recognise these changed circumstances – including ombudsmen with increased powers to deal directly with maladministration.

Just as managerial reforms are needed to improve the efficiency of public services, so too are constitutional reforms if public services can continue to be held to account.

John Willman

Profitable lessons for an outdated school system

Educational reform and plans to create a network of private schools are gaining momentum in the US, says Michael Prowse

If the dreams of reformers are realised, many 21st century Americans will not remember their first day at school. The futuristic "campuses" planned by Mr Chris Whittle, a Tennessee entrepreneur, will be cradle-to-college institutions.

Harried parents will be able to deposit their new-born children in day-care facilities. As the children grow up they will move into kindergarten and thence through the customary 12 grades of American education. A one-stop Whittle campus, smothered in the latest technology, will serve their every need.

Starting school at age zero is just one of a host of innovations proposed by Mr Whittle. Like other reformers in the US, he believes every assumption underlying conventional schooling must be challenged.

Why close schools before parents finish work? Why open them only five days a week? Why let students vegetate during the summer? Why slice the curriculum into 40 minute slots with artificial subject boundaries? Why expect 25 different students to learn at the same pace from one teacher? Why rely on textbooks in an age of computers and videos?

To turn ideas into reality, Mr Whittle has launched the Edison Project. With $60m in seed money, a team will spend the coming year drawing up a blueprint for an entirely new form of American education. Mr Whittle hopes to open 100 new-style campuses by 1996, initially providing only day-care, kindergarten and elementary education. By 2010, he hopes to have 1,000 campuses spread across America, serving 2m students of all ages and backgrounds.

He is not a philanthropist. Whittle schools intend to make a profit by charging parents fees of about $5,500 a year – roughly the per pupil cost of public (government-run) education. The profits will supposedly be made by using less bureaucracy than the public sector and by making better use of new technologies.

When Mr Whittle unveiled these grandiose plans last year, he lacked credibility. He is best known for a satellite TV network that beams news (plus commercials) to classrooms. What, complained sceptics, does Mr Whittle – a drop out from Columbia Law School – know about education?

He has responded by hiring some big names. His greatest coup came 10 days ago when Mr Benno Schmidt, the president of Yale University, announced he was quitting to become chief executive of the Edison Project. This voluntary descent from the pinnacle of American education stunned colleagues. It was as if the Master of Trinity College Cambridge had abruptly declared his intention to run a chain of City Technology Colleges.

Mr Schmidt will head a team that includes some feisty contributors to America's educational debate, such as Mr Chester Finn, a former adviser to Presidents Reagan and Bush, and Mr John Chubb, a fellow at the Brookings Institution and co-author of Politics, Markets and America's Schools, an influential book that argued for more competition and choice in US education.

Mr Whittle's skills as a publicist are not in doubt. But does his plan have any hope of succeeding? Given the anxiety about standards in public schools, many affluent parents will experiment with Whittle schools. But whether the venture can succeed on the scale intended and serve as a model for the public sector is much less certain.

The US is becoming aware that its 19th century educational blueprint is hopelessly dated

Mr Whittle reckons he will have to raise about $2.5bn to cover the costs of opening 1,000 campuses. This is a huge sum for an educational project aiming to make a commercial return. The appetite of investors, moreover, may be reduced by the project's streak of apparent altruism. To counter charges of cream-skimming, Mr Whittle has pledged to:

- Reserve 20 per cent of places for needy students and fund them through scholarships.
- Forgo entry tests and select pupils randomly if there is excess demand for places.
- Hold charges per pupil at or below the level in public schools.

The point of these conditions is to ensure that reforms pioneered in Whittle schools can be copied by the public sector. The Edison team wants to show that it can take the same raw material and provide a better education at a lower cost. But the cross subsidies will obviously reduce its overall return on capital.

If the team really wants to improve public sector education, why doesn't it participate in the Bush administration's "America 2000" initiative? The White House is awarding contracts for the creation of a new generation of public schools – at least one for each of the 535 congressional districts.

Mr Schmidt hotly rejects the criticism. His aim in leaving Yale is to improve all schools, he says. He just happens to believe reform can be promoted more effectively from outside the public sector. Bureaucracies, he says, are just not good at "innovation, risk-taking and paradigm leaps."

He draws a parallel with higher education. Support for a private college such as Stanford University, he says, does not constitute an attack on the University of California, a public-sector institution. In his view, American higher education flourishes because it is competitive and diverse; the same ought to be true of secondary education.

Mr Whittle, meanwhile, sees no conflict in his dual role as entrepreneur and social reformer: "You can do good and do well at the same time," he says.

His timing, at least, is good. After a decade of relentless criticism of public schools, the US seems ready for educational experiments. But the profitability of the Whittle project may ultimately hinge on a reform that remains intensely controversial. If US states were to introduce some form of voucher scheme – distribute their educational budgets directly to parents rather than to government-run schools – every family would be able to afford a Whittle school. The mould of American education would then be truly broken. Indeed, Mr Whittle would soon face an army of competitors.

Opposition to vouchers remains intense, mainly on the grounds that they would accentuate existing educational inequality. In fact everything would depend on the rules: if every child got the same voucher and no topping up was permitted, inequality might be reduced. The Edison team, however, knows that extending the range of educational choices available will exert pressure for reforms that make choice easier – and hence that improve its prospects.

Whatever the outcome of the debate, the momentum for reform seems unstoppable. The American high school is about a century old. In its day it was a world-beating social innovation, providing an unrivalled mass education that helped the US economy cruise past international competitors.

In the face of today's quite different social and economic challenges, the US is becoming aware that its 19th century blueprint is hopelessly dated. Hence the pressure to "re-invent" schools.

The Edison Project and similar public-sector ventures are starting with a blank sheet of paper, or rather a blank computer screen. If they succeed, America's competitors could find themselves leapfrogged for a second time.

LETTERS TO THE EDITOR

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US federal assets and privatisation

From Prof Steve H Hanke.

Sir, Martin Dickson's article, "America's sale of the century" (June 1), contains some errors that require correction. First, Mr Dickson asserts that the federal government, apart from a few odds and ends, owns very few real assets. Not true. About one third of the land in the US is owned by the federal government. That area is about 12.5 times larger than the entire surface of the UK.

Mr Dickson's second error concerns his characterisation of the US as being a bit slow in warming to privatisation. Indeed, he claims that the US is "roughly a decade behind Britain". Also not true. As a senior economist on president Reagan's council of economic advisers, I was responsible for the president's privatisation portfolio, and fired the first public shot on that topic in a December 1981 speech. President Reagan followed up in his budget message for the fiscal year 1983, when he stated that "we will move systematically to reduce the vast holdings of surplus land..." That budget message also indicated that $9bn worth of lands would be privatised within three years.

President Reagan's proposal was stopped in its tracks by many of the environmental ideologues who are gathered this week in Rio. This is unfortunate, since the federally-owned lands are much less productive and in worse shape, from an environmental point of view, than comparable private lands.

Last week, while I was dining with Prof Milton Friedman in Mexico City, Prof Friedman offered a suggestion worth considering: given the despoliation left by public ownership throughout the world, what we really need isn't an Earth Summit, but rather a Privatisation Summit.

Steve H Hanke,
professor of applied economics,
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Baltimore,
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Britain's trade deficits should surely be a matter of concern

From Dr John Wells.

Sir, Samuel Brittan professes ("Countries don't go broke", June 1) a lack of concern over the latest UK trade statistics, which, in April, recorded a deficit in non-oil visible trade – his preferred measure – of £1.46bn. This number, though receiving considerable media attention (perhaps now that the general election is safely out of the way!), was not vastly out of line with the monthly average deficit for this year of £1.2bn, or £15bn annually.

But concern surely is in order when, at a similar stage in the economic cycle during all previous post-Second World War recessions, a depressed level of domestic spending has been sufficient, by curtailing imports and permitting exportables to be switched from home to overseas markets, to ensure substantial surpluses in visible trade.

The continuing deterioration in the UK's relative economic performance, as evidenced by the worsening internal-external balance trade-off, is such that the level of domestic spending now required to get unemployment down from the rapidly-approaching 3m mark to a more humane figure of, say, 0.5m would, for a given (current) level of demand in the rest of the world, probably be associated with current account deficits of around 10 per cent of GDP. And I cannot think Samuel Brittan believes that to be the real rate of return on the UK's overseas assets! Moreover, those who profess concern at current structural weaknesses in the UK economy cannot be so easily dismissed, as his reference to Gosplan is presumably meant to suggest, as advocates of a siege economy.

Such a thoroughly unfair trivialisation of his opponents' position does the cause of public debate no good whatsoever.

John Wells,
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Sidgwick Avenue,
Cambridge CB3 9DD

A costly turn of events

From Mr Dennis Rump.

Sir, In February Barclays suggested that we consider transferring our deposit account balance to a new Business Premium account with interest at some 7 per cent gross. An ill omen indeed, for three months later Barclays notified that our church account, for many years conducted free of charge, would from June bear a commission charge of £6 per quarter plus 66p per entry debit and credit.

It appears that these terms are slightly worse than those enjoyed by Paul McKee (Letters, May 30).

Inquiries soon showed that the clearers no longer see any commercial advantage in handling small charitable accounts sympathetically.

We are now transferring our modest current and savings accounts to Girobank, which offers free banking (but for how long?) to organisations employing no paid officials.

Dennis Rump,
honorary treasurer,
St James Parochial
Church Council,
11 Arcadian Avenue,
Bexley, Kent DA5 1JN

Different view of relationship between CAP reform and Gatt

From Messrs Dale E Hathaway and Fred H Sanderson.

Sir, Your editorial "Time for a Gatt deal" (May 26) and several of your preceding stories have misled readers in terms of the relationship between Common Agricultural Policy reform and the General Agreement on Tariffs and Trade.

First, the CAP reform does not reduce subsidies to EC farmers; it changes the form in which the income transfers occur. Its major impact should be to increase domestic consumption of cereals and livestock products and reduce the need for ever increasing subsidised exports.

Second, the reformed CAP is not distinctly better than US policies regarding distortion of production. The US programmes froze yields used to calculate deficiency payments in 1985. In the 1990 Farm Bill and Budget Act, payments are limited to 85 per cent of acreage covered by the programme. Moreover, US producers can get payments without producing any of the crops in question (0-92 provision). Thus, the US programme results in a significant output of programme crops which receives no payments.

Finally, the CAP reform was a necessary and significant change in EC policy for internal reasons which moved in the direction the US began in the 1960s. Why should it exempt the EC from agreeing to international rules on reductions any more than US reforms exempt the US from such rules?

The CAP reform should make it easier (not harder) for the EC to accept the limits on export subsidies and internal support suggested by the Dunkel proposal.

(Reductions in producer support since 1986-88, together with the set-aside, should enable the community to meet the proposed 20 per cent cut in internal support with only modest changes even if compensation for future price cuts is included.)

To suggest that the EC subsidies should be exempt from cuts is to miss the point of the entire Gatt negotiation which is about reducing support and protection.

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US

OBSERVER

Banking it US style

■ Perhaps the Archbishop of Canterbury should take a preaching trip to the US. A new survey shows that the average cash pay of the 10 best rewarded American bank executives jumped by 46 per cent in 1991, when the corresponding rise in their banks' earnings was less than 7 per cent.

The study, by Virginia research company SNL Securities, brought a swift homily from Professor Graef Crystal, the pay expert and scourge of corporate America well known for highlighting the enormous rewards of Time Warner's Steve Ross. If pay was really related to performance in the banks, Crystal said, "then we wouldn't be seeing salaries like this during a recession."

More likely than some to have merited his rise was J.P. Morgan chairman Sir Dennis Weatherstone, whose 30.1 per cent rise took him to the top of the US bank chiefs' league with total pay of $2.06m. Two others who had more than $2m were Chemical Banking's chairman John McGillicuddy, and Hugh McColl, who heads NationsBank, which ensued from the merger of NCNB and C & S/Sovran.

Alas for Citicorp's John Reed, he didn't even make the top 10. He slipped to 22nd in the 1991 league with a rise of 1.5 per cent to a mere $1.22m.

Painful

■ A black day it was for Lloyd's of London chairman David Coleridge, and not simply because of new forecasts putting the insurance market's losses for 1989 at £2bn, a fifth higher than previous estimates. He's also chairman of Sturge Holdings, Lloyd's biggest agency.

The news from Sturge was that it expected to cut its annual dividend by half, so trimming Coleridge's income from his 6.8m share stake by £559,324. But that's not all. Following a savage reaction from the market, which pegged the shares down 59p to 111p, the value of Coleridge's stake has plunged from £11.56m to £7.55m.

Fly past

■ It being not 20 years ago today, but 25 yesterday since the Beatles' famous Sergeant Pepper LP appeared, Lucy is probably no longer in the sky with diamonds. If so, she could soon be replaced by French carrier pigeons which the government has decided can now be owned without licence because they've lost their strategic military importance.

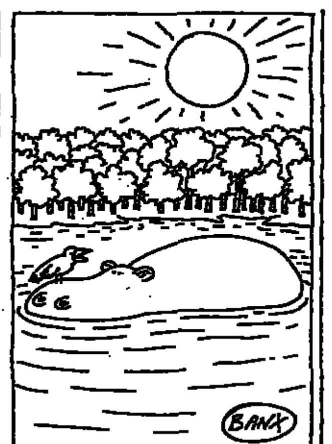
Cleaning out

■ If Kevin Maxwell really wanted a cheap bolt-hole, surely he could have done better than hide in what old City hands know as "The Wardrobe". After all, Wardrobe Place in the shadow of St Paul's Cathedral is not only a mere quarter mile away from where the missing millions were last seen, but an obvious resting place for fringe operators.

Until the current property bust, it was about the only bit of the City left that was convenient, cheap and undeveloped. In the past it has been the home of slick PR operators like John Addey, and fringe financial operators such as LHW Futures which achieved notoriety in the mid-1980s for its hard-sell tactics and unusually high commission charges.

If Maxwell should move out then "The Wardrobe" will be virtually empty. However, this is unlikely to cause much heartache in the boardroom of Warnford Investments which owns most of the surrounding property, although not Number 2 itself.

Headed by 81-year-old George Ross Goobey, one of the City's wisest old birds, Warnford is an unusual property company. It slept whilst its rivals developed, with the result that it has been able to increase its profits and its dividends last year.



"If it wasn't for bio-diversity we might never have met"

Travelling strife

■ A cause of many strained if not broken romances may soon be explained, thanks to experiments at the US University of Rochester. The trouble arises on unfamiliar car journeys when either a woman or a man is driving to instructions given by the other, and misses the specified turning.

"I said fork right, not left," explodes the male – or "I said go to the town hall and turn along the front of it, not up by the art gallery," protests the female – each concluding that the other is an idiot.

Not so, suggests Rochester researcher Thomas Bever. It seems likely that the two sexes have essentially different navigating systems.

His tests over four years with students as well as rats indicate that males typically find their way by "mapping out" space in their heads, thinking of journeys as consisting of so much distance in one direction, then so much more in another, and so on. By contrast, females tend to navigate by visible landmarks.

Either way, the two sexes seem equally good at getting to the right destination, says Bever. It's just that, in this as so much else, they are incompatible.

Spot on

■ While the FT never gives investment tips, it was nice to see that we tipped Dr Devious, the Derby winner, in Charterhouse Bank's front page advertisement yesterday. Observer would like to encourage more of the same. Much more fun than stocks and shares.

Ill met

■ However unlucky it may be to re-name a ship, the Royal Navy must be considering doing just that to one of its Oberon-class submarines.

With the world's top admirals assembled to watch the RN's Sea Days exercises – a showpiece for the efficiency of British naval equipment – the vessel collided with a container ship while surfacing in the fog-bound Channel. Although neither was badly damaged, and there were no casualties, the submarine apparently came off worst.

Its name? HMS Opportune.

FINANCIAL TIMES
Thursday June 4 1992

Medical assistant shot as UN starts talks about reopening Sarajevo airport

Serb irregulars open fire on Red Cross van

By Judy Dempsey in Belgrade

SERB irregulars yesterday again ambushed a van carrying medical supplies into the besieged capital of Sarajevo, the capital of Bosnia-Hercegovina, as United Nations officials started negotiations aimed at reopening the city's airport.

A medical assistant was shot dead after a hail of anti-aircraft machine gun fire sprayed the vehicle which was marked with the Red Cross symbol.

Mr Zoran Pirovic, a journalist at Sarajevo radio, said the "gunmen do not respect any symbols. It is the same story every day. More fighting, more killing and increased hunger for the people of Sarajevo".

Serb militia and the Yugoslav federal army have blocked the airport for the past two months in order to starve the people of Sarajevo into submission.

UN officials yesterday said the sticking point in reaching agreement on reopening the airport centred on a dispute over which forces should control it once Serb irregulars and the Yugoslav army withdraw.

"There is no point in lifting the blockade if people cannot travel freely to and from the airport," a UN official said. "We have to set up a mechanism to protect the airport once the Serb irregulars and army have withdrawn."

UN officials said this would require a considerable UN peacekeeping force.

The Bosnian news agency yesterday reported that the UN is planning to deploy a contingent of 1,000 French peacekeeping troops to protect the airport. "It could be true about using French peacekeeping troops," a UN official said. "There are some French soldiers in Sarajevo. But we cannot confirm if they will be sent to protect the airport." French government officials visited Sarajevo to consider such an option.

The official explained that the UN wanted to secure a 10 kilometre radius around the airport to prevent militia groups from ambushing civilians or hijacking aid convoys. The UN also wants two separate 20km long corridors in and out of the airport.

As petrol queues lengthened in Belgrade, the Serbian capital, Greece attempted to break the UN embargo on all trade with Serbia by transporting Greek and Serb oil lorries to Serbia. They were stopped by the former Yugoslav republic of Macedonia, which borders with Serbia.

Also in Belgrade, intimidation of accredited foreign journalists has increased. Several have had their car tyres slashed, some have received telephone death threats and others have been accused of spying for western governments.

A man clears debris from his bedroom which was destroyed during an artillery attack on Dubrovnik by the Yugoslav army

Maxwell brothers seek $10m for media venture

By Raymond Snoddy, Jimmy Burns and John Mason in London

MR KEVIN MAXWELL and his brother Ian are trying to raise $10m to launch an international media investment partnership.

The aim of the venture is to take stakes in promising media businesses in the UK, the US and in a number of countries in central and eastern Europe.

In a strategy reminiscent of their late father, Mr Robert Maxwell, the brothers apparently believe that the recession in the UK and the US and the political changes in eastern Europe provide investment opportunities.

The areas seen as potential investment include electronic publishing, academic and professional journals, free newspapers and directories.

Following the circulation of a letter from Mr Kevin Maxwell seeking investment funds, it is believed that a draft prospectus for the new partnership has been produced. It seeks to raise the funds by the end of the month.

The brothers have been working from offices in London rented in the name of Sphere Inc, a Californian video games company.

Mr Robert Maxwell took an 80 per cent stake in the company in 1987. The holding is controlled by the Maxwell Charitable Trust in

$19.7m: and that includes the disco ....Page 9
Market-rigging case dismissed ....Page 9
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Liechtenstein, which is outside the present reach of administrators, creditors and pensioners.

Yesterday, after the Financial Times identified the location of the offices, it appeared that they had been, at least temporarily, abandoned.

It is believed that, as well as the Maxwell brothers and their secretaries, it was planned that Mr Michael Stoney would also work from the offices.

Mr Stoney is former deputy managing director (finance) of Mirror Group Newspapers and deputy managing director of AGB International, the market research group once owned by Maxwell private interests.

Earlier this year, along with Mr Kevin and Mr Ian Maxwell, Mr Stoney declined to answer questions from the House of Commons select committee on pensions on the more than £400m missing from Maxwell pension funds.

However, Mr Stoney's own pension is intact. It is in the executive pension plan of AGB International, a small fund for about 20 people that was not raided during the final months of Mr Robert Maxwell's life.

The planned new Maxwell investment fund would take minority stakes in a range of existing media enterprises. The brothers would be involved in the management of the investments in return for a fee.

● Mr Kevin Maxwell is no longer a director of Oxford United Football Club as stated in the Financial Times yesterday. He resigned on May 14.

Berlin to take over contested property

By Leslie Colitt in Berlin

BERLIN'S city government said yesterday it would take over more than DM10bn ($6bn) worth of properties in east Berlin instead of allowing their former owners to claim them.

Mr Steffen Kammradt, spokesman of the Berlin Finance Office, said the decision, taken on Tuesday night, would end the deadlock in rebuilding east Berlin caused by rival property claims. The ruling is expected to be legally challenged by former owners.

The decision runs counter to a previous recommendation by the German government that the properties, which were confiscated by occupying Soviet forces shortly after East Germany was established in October 1949, should be returned to their previous owners.

Mr Kammradt estimated that "considerably more" than DM10bn worth of property would be affected.

Among the most valuable real estate to revert to the city is a sprawling site on Leipziger Platz, near the former Berlin wall, which previously belonged to the Jewish-owned Wertheim department store chain, now part of the Hertie group.

Prime sites owned by the Hohenzollern family, descendants of the former German Kaiser, were also affected by the decision.

A total of 589 companies and 951 property sites, mainly in the inner city Mitte district, are being claimed by the city, although they represent only a small proportion of all buildings that might be subject to claims by westerners.

Some of the businesses are companies in name only and are no longer operating, others are going concerns.

Among property sites, some are bombed out, while others are occupied by businesses or residential accommodation.

Mr Kammradt said city-owned property could now be developed by investors who might include some of the former owners.

It was up to the Bonn government to decide whether restitution would be paid to former Jewish owners, their heirs or the Jewish Claims Commission, he said.

Losses at Lloyd's of London estimated at more than £2bn

By Richard Lapper in London

LOSSES at Lloyd's of London for 1989 are likely to exceed £2bn, ($3.6bn) according to the latest forecast by Chatset, the company which analyses the UK insurance market.

The result will "exceed most people's worst expectations", said Chatset, which in January had estimated a loss of £1.35bn.

In line with its three-year accounting system, Lloyd's will report its 1989 results later this month. Chatset's forecast is based on final figures for the large majority of the 401 syndicates which traded at the market in 1989.

The bad news was underlined yesterday when Sturge Holdings, the biggest agency group at Lloyd's, cut its interim dividend by 50 per cent and gave a more downbeat assessment of the performance of its syndicates in the 1990 year.

It owns agencies which manage syndicates and handle the affairs of Names, the individuals whose assets back underwriting at Lloyd's. Sturge's shares fell 35 per cent yesterday to close 59p lower at 111p.

Sturge said it would "take longer than expected for profits to return to their previous levels".

Lloyd's spiral syndicates hit hard ....Page 9
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Payout cut hits Sturge shares ....Page 17

Chatset said a minority of syndicates specialising in so-called "spiral" business – in which syndicates and companies reinsure each other's catastrophe exposures – will bear the brunt of the 1989 loss.

Some syndicates have been hit by US claims where insurers are meeting the cost of cleaning up polluted sites and removing asbestos from buildings.

Mr John Rew, co-editor of Chatset's reports and himself a Lloyd's Name facing heavy losses, predicted that losses in 1990 and 1991 could force many Names out of the market and reduce the capital base from its present level of £10.1bn to as little as £4bn by 1995.

He said the bail-out plan for Lloyd's Names facing severe losses and now being examined by Lloyd's would not solve the market's problems and that tax breaks and credit lines may be necessary to secure its future.

Lloyd's announced it was investigating a bail-out scheme in April and one may be announced at the society's annual general meeting on June 24.

However Mr Paul Archard, chairman of the Lloyd's Underwriting Agents' Associations, which represents over 100 Lloyd's agents, said "the long-term projections are absolutely wrong".

World Weather

		°C	°F			°C	°F			°C	°F			°C	°F			°C	°F			°C	°F
				Boulogne	S	17	63	Frankfurt	C	20	68	Majorca	F	22	72	Oporto	R	16	61	Tenerife	C	21	70
				Brussels	S	19	66	Geneva	R	15	59	Malaga	F	25	77	Oslo	S	25	77	Tokyo	F	27	81
				Budapest	F	28	82	Gibraltar	F	22	72	Malta	S	27	81	Paris	R	17	63	Toronto †	S	17	63
Ajaccio	F	23	73	Buenos Aires	F	18	64	Glasgow	F	16	61	Manila	C	35	95	Prague	F	24	75	Tunis	F	27	81
Algiers	S	25	77	Cairo	S	33	91	Helsinki	S	17	63	Melbourne	F	12	54	Reykjavik	F	8	46	Valencia	F	26	79
Amsterdam	S	19	66	Cape Town	S	15	59	Hong Kong	S	27	81	Mexico City	C	24	75	Rhodes	S	27	81	Venice	C	24	75
Athens	S	26	79	Caracas	C	28	82	Innsbruck	T	20	68	Miami †	F	27	81	Rio d'Janeiro		–	–	Vienna	R	18	64
Bahrain	S	35	95	Casablanca †	C	20	68	Inverness	R	12	54	Milan	S	21	70	Rome	F	24	75	Warsaw	S	26	79
Bangkok	C	36	97	Chicago †	S	14	57	Islamabad	F	35	95	Montreal †	F	15	59	Salzburg	R	22	72	Washington †	F	17	63
Barcelona	S	21	70	Cologne	F	19	66	Istanbul	S	26	79	Moscow	S	15	59	S'Francisco †	C	13	55	Zurich	R	15	59
Beijing	S	32	90	Copenhagen	S	24	75	Jakarta	R	32	90	Munich	C	20	68	Seoul	C	25	77				
Beirut	S	22	72	Corfu	F	29	84	Johannesburg	S	23	73	Nairobi	F	26	79	Singapore	F	32	90				
Belfast	F	13	55	Dallas †	F	18	64	Lisbon	F	20	68	Naples	F	25	77	Stockholm	S	21	70				
Belgrade	S	30	86	Dublin	C	13	55	London	C	18	64	Nassau	C	31	87	Strasbourg	R	18	64				
Berlin	C	25	77	Dubrovnik		–	–	Los Angeles †	C	17	63	New Delhi		–	–	Sydney	S	18	64				
Biarritz	F	14	57	Edinburgh	C	15	59	Luxembourg	F	18	64	New York †	S	18	64	Taipei	F	31	88				
Bombay	F	32	90	Faro	F	20	68	Madeira	C	20	68	Nice	S	21	70	Tangier	F	20	68				
Bordeaux	F	19	66	Florence	F	23	73	Madrid	F	20	68	Nicosia	S	26	79	Tel Aviv	S	26	79				

Temperatures at midday yesterday
† Noon GMT temperatures
C – Cloudy Dr – Drizzle
F – Fair Fg – Fog H – Hail
R – Rain S – Sunny
Sl – Sleet Sn – Snow
T – Thunder

THE LEX COLUMN

The Danish blues

The reaction in European markets to Denmark's rejection of the Maastricht Treaty was one of predictable alarm. The D-Mark strengthened within the ERM and bond prices in high interest currencies slid sharply. The rationale in both cases is that the swing vote of a few thousand Danes has diverted Europe away from monetary union and back to currency fluctuations and diverging inflation rates.

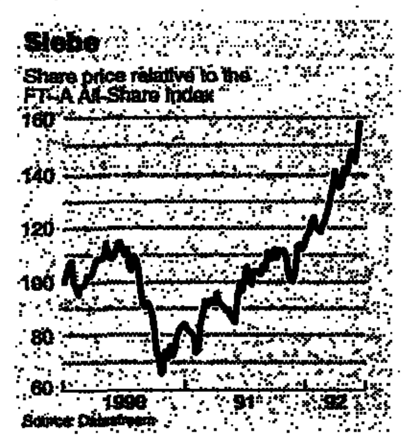
But has it? Part of the answer depends on how far the motivation behind the ERM has been ideological rather than pragmatic. If governments saw the system as a precursor of a currency union ordained by history, it now stands a large chance of breaking down. If, on the other hand, the main justification for ERM membership was a simple desire to fight inflation by linking up with the D-Mark, the markets have less to fear than yesterday's reaction suggests. There will be no immediate crack in the system, inflation will remain under pressure and bond yields can continue to fall.

Ironically, Denmark itself, which can actually meet the Maastricht convergence criteria, is almost certainly in the latter camp. So is the UK. Less clear is the position of France. Were its voters also to reject the treaty, the foundations of the ERM would almost certainly crumble, which perhaps explains why the French bond market took such fright yesterday. But as long as Mr Pierre Bérégovoy is prime minister, there seems little chance of a let-up in the strong franc policy which has produced France's exemplary inflation record.

There is thus a chance that calm will return to European bond markets as they regain their faith in the ERM. But investors in national markets may require a slightly wider premium over German government bonds than in the recent past. The lira, which has been sustained by little else than Italian commitment to monetary union, will remain under pressure.

Danish bonds were already recovering from their lows by yesterday lunchtime. Maybe that should tell the gilts market that its fall, which saw the long gilt future drop by over a point, was overdone. Worry that the UK would be unable to attract sufficient inflows to fund the PSBR spilt over into the equity market as well. The UK government's funding problem, however, is one more reason why the UK is unlikely to abandon the ERM now. Indeed, continued pressure on sterling would create an argument for moving promptly to narrow bands – a fitting start to the UK's EC presidency during which the Major government will have to clear up the Maastricht mess.

FT-SE Index: 2680.9 (-25.0)



Siebe

If nothing else, Siebe's full-year figures are confirmation of the striking success of the Foxboro acquisition. In little more than 18 months, Siebe has taken Foxboro from persistent losses to operating margins of almost 17 per cent. In its first full year, it has contributed a net £13m to cash flow after all expenses. Partly as a result, the group as a whole has more than retrieved the drop in earnings at the interim stage. Although business in the current year has proved a touch disappointing, Siebe continues to expect a second-half upturn.

However impressive it is that Foxboro should already be at a pitch of efficiency, the obvious question is how far the shares can now go on outperforming. At 739p, the multiple is a touch below the UK industrial average, but so is the yield. Siebe is fully established as a remarkable company. It may be due for a lull just the same.

Lloyd's

Those Names persuaded to sweat it out rather than resign their Lloyd's membership may be having second thoughts. Yesterday not only brought news that Chatset, an independent analyst, had raised its forecast of the market's losses for the 1989 underwriting account from £1.4bn to more than £2bn. In a perhaps more alarming development the quoted managing agency group Sturge Holdings said 1990 would be up only modestly on the previous year.

Sturge's results for the 12 months to September will reflect its 1989 income. But it was the group's gloomy comments on the outlook for subsequent years – and the consequent halving of a dividend investors previously hoped it could maintain – which caused yesterday's 35 per cent fall in the shares. The problem is not just lower commission as underwriting losses continue into 1990. Sturge will be hit in 1993 and 1994 by a reduction in the fixed charges it levies on Names and by new deficit charges designed better to reflect the impact of bad years in the agency's overall rewards. In the long run these changes are meant to give Names a fairer deal. The question is how many will be around to benefit.

Reed International

Although Reed International's full-year figures came as an agreeable surprise to the market yesterday, they were reassuring only up to a point. It is five years since Reed embarked on its grand strategic plan of turning itself into a pure publisher. Shorn of the benefits of its pensions holiday, its earnings per share are now lower in nominal terms than they were then. Granted, the underlying increase of some 10 per cent in second half pre-tax profits is in welcome contrast to the first half fall of 22 per cent. But it remains faintly unsettling that Reed should still be dependent on advertising for more than 40 per cent of its revenue. While its advertising prices have broadly kept pace with inflation in the past couple of years, advertising volume in that time is down nearly 20 per cent. Whatever the merits of the strategy, they evidently do not include immunity from the cycle.

Then again, the more cyclical the stock, the greater the potential. This doubtless accounts for the fact that at yesterday's 580p, the shares are on a historic multiple of almost 20 and a yield of only 3.7 per cent. Although Reed is very cautious about the scope for an upturn in its markets, it remains wedded to the theory that the world publishing industry is due for further consolidation. With its relatively strong balance sheet, it is certainly in a position to take advantage of any asset reshuffling still due from the excesses of the late 1980s. The question is perhaps whether, in the post-Maxwell era, the market is ready for another turn on the publishing merry-go-round.

FINANCIAL TIMES
COMPANIES & MARKETS
Thursday June 4 1992

INSIDE

Siebe pre-tax profits rise 7% to £170m

Siebe, one of the world's leading appliance and environmental controls groups, yesterday announced a 7 per cent advance in pre-tax profits to £169.6m ($309m) for last year. Mr Barrie Stephens (left), who masterminded the group's recent transformation, is expected to step down as chief executive before the end of the year. Page 24

Radical surgery for Control Data

Control Data, the US computer group, has decided to undergo radical surgery aimed at ensuring growth rather than mere survival. After years of divestitures and closures to tackle mounting problems, the once-proud industry pioneer will be transformed into a provider of computer services under the new name of Ceridian. Page 21

BAe ousts Ordnance head

British Aerospace has ousted the managing director of Royal Ordnance, its armaments subsidiary, in a move revealing further sharp divergences within the group about its business strategies. Mr Peter Kenyon, who had headed Royal Ordnance for three-and-a-half years, has been replaced by Mr David Parry, formerly engineering director of British Aerospace Defence, the company formed this year to pool all BAe's military interests. Page 18

Avonmore in continental move

Avonmore Foods, the Irish dairy and meat processing group, has bought Harzland Fleisch Service, a German fresh meat sales and distribution business located close to the former East German border, for I£6m ($10.9m). Mr Pat O'Neill, group managing director, described the move, Avonmore's first acquisition on mainland Europe, as "an important step in our strategy to develop a manufacturing presence in continental Europe". Page 25

Miners' damage assessed

An analysis of the 1991 financial results of 180 large base and precious metals producers world-wide shows severe damage was caused by the recession in most industrialised countries and the consequent fall in metals prices. There was also a sharp rise in extraordinary losses and write-downs arising from mistakes metals companies made during the boom in the late 1980s, according to the latest financial review from the Metals & Minerals Research Services consultancy organisation. Page 26

Salvaging Marine Midland

It has taken several years, half a billion dollars and countless effort by top management of the Hongkong Bank to salvage its US subsidiary Marine Midland. But in the process, an overly ambitious embattled money centre bank has been nursed back to financial health. Page 24

Market Statistics

Companies in this issue

Chief price changes yesterday

FRANKFURT (DM)

Falls			
Altana	623.5	–	22.5
Bayer	290	–	4.8
Gehe	919	–	45
Schering	755	–	31.5

NEW YORK ($)

Rises			
Advanced Tele	22¼	+	2¼
Durr-Fillauer	22¼	+	1⅜
Gen Motors	41¾	+	1¼
Falls			
Borland	50⅞	–	2⅛
Egghead Soft	20¾	–	¾
LDDS Comms	29¼	–	2⅜

PARIS (FFr)

Rises			
BIC	829	+	26
Immobanque	835	+	14
Orsan	207	+	7
Falls			
Bancaire Cie	446	–	11.5
Cred Lyon	584	–	11
Promodes	3430	–	169

TOKYO (Yen)

Rises			
Asahi Tec	689	+	69
Brother Inds	474	+	29
Nippon Beet	582	+	36
Nippon Carbon	655	+	39
Falls			
Daihen	631	–	37
Hitachi Soft	1830	–	120

New York prices at 12.30.

LONDON (Pence)

Rises			
BET	156	+	7
Embassy Props	8	+	3
Ferry Pckrng	115	+	8
HardysHansons	1700	+	115
MarstonThmpsn	254	+	9
Minister-Swain	430	+	21
Powell Duffryn	413	+	17
Ransomes	38	+	3½
Stainless Metl	38	+	2
TI	357	+	12
VSEL Consrtm	454	+	36
Falls			
Cable & Wire	554	–	14
Glaxo	756	–	14½
Hunterprint	11½	–	2
Ladbroke	229	–	7
MEPC	330	–	14
Monarch Res	75	–	5
Mowlem (J)	133	–	8
Norcros	131	–	9
Pentos	111	–	3
Sturge Hldgs	111	–	59
Tomkins	492	–	12

Mercedes-Benz to cut 10,000 jobs this year

By Christopher Parkes in Stuttgart

MERCEDES-BENZ, the vehicle subsidiary of Daimler-Benz, the German engineering, aerospace and electronics group, will cut its costs after granting a 5.8 per cent pay award to engineering workers by slashing up to 10,000 jobs this year.

According to Mr Werner Niefer, Daimler-Benz president, the pay deal will increase costs this year by DM600m ($373m). If the company tried to pass this on by increasing prices, customers would simply buy other makes, Mr Niefer told a press conference.

MERCEDES-BENZ
First quarter group sales (DMbn)

	1991	1992
Western Europe	14.15	15.78
Germany	9.36	10.60
Western Europe (excl Germany)	4.79	5.18
US	2.43	2.65
Other markets	3.59	4.61
Total	**20.16**	**23.64**

In spite of a 14 per cent increase in car and commercial vehicle sales during the first four months of this year, Mr Niefer warned that "a fundamental recovery in our most important foreign markets is not yet discernible". Sales surged 17 per cent in the first three months, so growth is already slackening.

Though the post-unification boom in the German market is tailing off, the company – which is the mainstay of Daimler-Benz – expects to sell 560,000 cars, the same as last year.

Group turnover target was DM70bn, compared with DM67bn in 1991. Profits – which last year matched the previous year's DM1.5bn – would again be "good", according to Mr Helmut Werner, deputy president.

According to Mr Niefer, the international car market will at best stagnate this year. "The German market shifted back into normal gear during the first four months," he added. As a result, he expects total domestic registrations to fall by 9 per cent. They were already down 6 per cent at the end of April.

Indications of a "hesitant upswing" in other west European countries would compensate in part for the trend in Germany. The US was more encouraging, Mr Niefer said. Mercedes sales there, led by the costly S-series and mid-range cars, rose 18 per cent in the first four months, while the overall market increased only 2 per cent.

The increase in world sales of commercial vehicles – up 7 per cent in the first four months to DM102m – is expected to fade away later in the year. Again, falling home demand is expected to be covered by rises elsewhere.

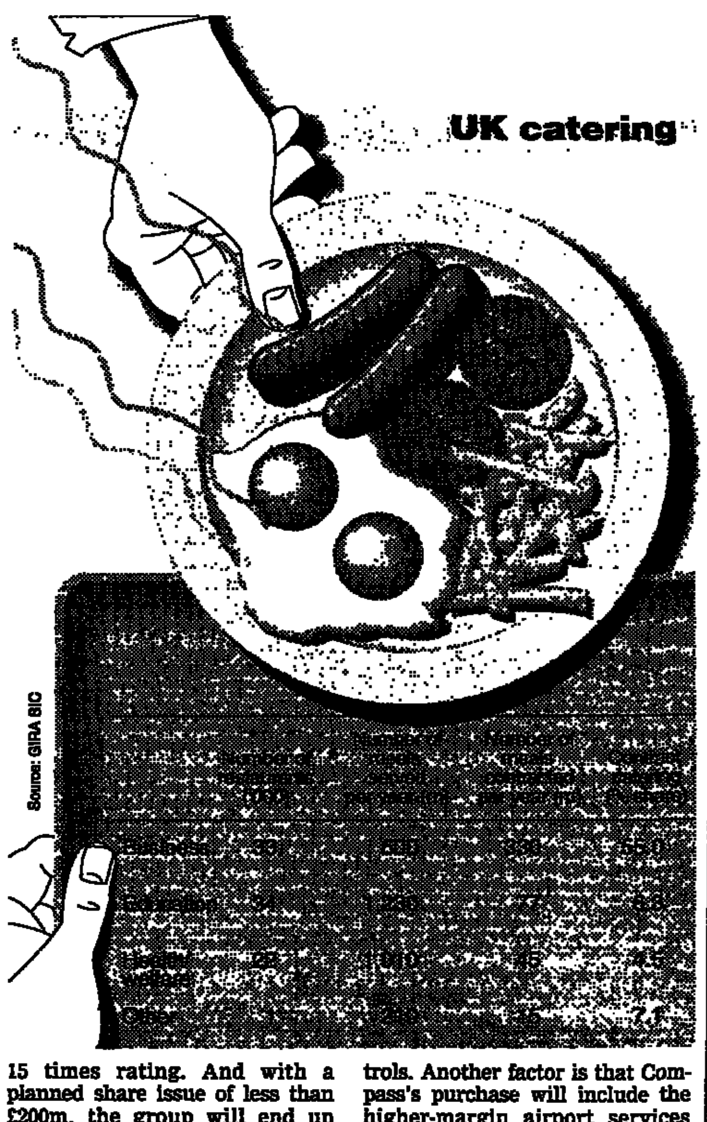
In the US truck and bus market, which grew 12 per cent in the first four months, Mercedes increased its sales of heavy-duty lorries by 9 per cent.

Confirming plans to reduce the group's workforce by 20,000 "in the coming years", Mr Niefer said most would go in Germany, where 183,000 of the total 235,000 workforce is employed.

News of the the loss of between 8,000 and 10,000 jobs this year, following Tuesday's announcement of a further 850 job cuts at Porsche, indicates widespread German concern at the loss of international competitiveness.

Contract caterers are looking to the public sector for fresh growth, writes **Jane Fuller**

A recipe for success in the office canteen



TEN years ago when a UK worker tucked into a meal in the canteen, the chances were that it had been cooked and served by fellow employees. Now more than half the canteens in the business sector are run by contractors and the opening of the door to the public sector has set up a mouth-watering prospect.

The growth of the contractors' role in providing the 3bn-plus meals a year that Britons consume at work and in schools, hospitals and prisons helps to explain why Compass Group outbid some serious competition, including a management buy-out team, to set up the acquisition of its rival, Gardner Merchant.

At present, Compass's shares are suspended while details are worked out of the £500m to £550m purchase from Forte, the hotels and restaurants group. Compass plans to buy the bulk of Forte's contract catering division for £450m, with ARA Services of the US taking the rest.

Compass will become the market leader with as much as 37 per cent of the corporate contract catering market. ARA will leapfrog from fourth to second with an estimated 20 per cent, ahead of Sutcliffe, part of P&O, with about 18 per cent. The swallowing of Gardner means the top four become the top three.

Rivals of Compass will expect the Office of Fair Trading to take a keen interest in the new combination. Compass has already discussed the issue with the OFT, however, and brought ARA into the deal to try to avoid competition problems.

The merger's impact depends on how you define the market. Gardner and Compass have more than half the business sector that is contracted out, but that in turn is only half the £1.5bn whole and in-house caterers are part of the competition.

If public sector canteens are included, the contractors' penetration comes down to only 15 per cent, according to figures from Gira Sic, the independent consultancy.

In business catering, the contractors' share has nearly doubled in 10 years, enabling Gardner, Compass and Sutcliffe to keep profits moving ahead. But growth has started to flag, according to a recent report from analysts at Hoare Govett.

The closing of sites and redundancies have affected the operators and unemployment could prove a drag until 1994.

Clients under financial pressure may wish to strike a harder bargain with the outside caterer, for instance by asking for more of the savings to be passed on. The traditional cost-plus contract in the UK has enabled groups like Compass to retain much of the discount achieved in buying materials, as well as taking the management fee represented by the "plus".

In continental Europe, payment is more likely to be based on agreed prices for the meals, leaving the contractor with less predictability.

Foreign competition, particularly from France, is becoming more of a threat. Hoare Govett says the UK is the only major European country in which foreign operators have not taken a significant market share.

Mr Michael Jones, of Gira Sic, points to two culture clashes. One is the cost-plus versus the fixed-price approach. The other is British eating habits. In the more snack-orientated UK, staff canteens are used by less than 40 per cent of employees, while on the continent the take-up is at least 55 per cent. So far the presence in the UK of the French groups – Sodexho, Eurest and the contract catering division of Accor – has remained tiny, but most commentators believe this will change.

Compass's catering business is far more dependent on the UK corporate sector than Gardner's. It risks a loss of momentum – unless it expands overseas and takes on more muscle for an assault on the public sector.

Gardner is ahead of it on both counts. About £230m of its £800m turnover last year was overseas. It is market leader in the Netherlands and has significant shares in France, Belgium and Germany. After several years of investment, it has critical mass in these markets; each new contract is much more profitable than those signed in the start-up years.

In the UK public sector, where only about 6 per cent of a £3bn-plus market is contracted out, Gardner is the biggest private operator. About a quarter of its new contracts are with institutions rather than companies.

While the Forte deal will enable Compass to progress on all the most promising fronts, will it pay too much?

The business it is buying with ARA made £47m operating profit on £1.13bn sales last year. Using the standard 33 per cent tax rate, the £500m-£550m price tag is 16 to 17 times resilient earnings, on a par with the FT-A 500-share index but higher than Compass's 15 times rating. And with a planned share issue of less than £200m, the group will end up with net debt of roughly £300m.

Mr Francis Mackay, Compass's chief executive, stresses the scope for margin improvement, particularly on purchasing, and says his group – once a heavily indebted management buy-out – has shown it can reduce debt. He contrasts Compass's operating margin of 9.2 per cent with Gardner's figure of around 4 per cent, while analysts also credit his group with tight financial controls. Another factor is that Compass's purchase will include the higher-margin airport services operation. There is a suggestion that the comparison of operating margins is not straightforward because Gardner calculates its sales figures in a different way.

Mr Mackay has obviously decided the opportunity warrants stretching Compass. Whether he is right will depend on the new group's success on the battlefields for future growth: the UK public sector and the continent of Europe.

Salomon Inc chief names successor

By Patrick Harverson in New York

MR WARREN BUFFETT, the billionaire investor who rode to the rescue of Salomon Brothers last summer when the Wall Street securities house was swamped by a bond trading scandal, yesterday promoted the company's chief legal counsel, Mr Robert Denham, to succeed him as chairman and chief executive of the parent group, Salomon Inc.

The 46-year old Harvard-educated Mr Denham will have responsibility for overseeing the management of Salomon Brothers and the group's oil refining and trading operation, Phibro. He will initially work full-time at the company, but is eventually expected to become a part-time chairman, allowing him time to continue his work with the California law firm, Munger, Tolles & Olson.

The day-to-day management of the securities arm will be left to Mr Deryck Maughan, who was appointed chairman and chief executive of Salomon Brothers last week.

Mr Buffett had always pledged to step down once a settlement had been reached with the government authorities. He will stay on, however, as chairman of the executive committee of the Salomon board.

The appointment of Mr Denham, who joined Salomon as general counsel a few weeks after the scandal broke last summer, surprised Wall Street, which had expected someone with no previous connections to the securities firm.

Mr Buffett said Mr Denham was his sole recommendation to the board and "comes to the post with extensive knowledge of our two main businesses but with no close ties to either". Mr Denham has worked with Mr Buffett for 18 years.

EC to investigate Du Pont purchase of ICI nylon side

By Daniel Green in London, Andrew Hill in Brussels and Alan Friedman in New York.

THE EUROPEAN Commission is to investigate the proposed acquisition by Du Pont, the US chemicals company, of Imperial Chemical Industries' nylon business because the deal may distort competition in the market for nylon carpet fibres.

The investigation will take up to four months and follows a four-week preliminary inquiry.

Both companies yesterday said they were confident that the commission would eventually allow the transaction to go ahead. ICI said: "While not unexpected it is unfortunate. It will add to the uncertainty felt by employees and customers."

The sale is part of an agreement made in April in which ICI would receive £250m ($450m) in cash and Du Pont's acrylics business in exchange for its nylon operations. The agreement called for the deal to be completed by the end of the year. ICI said yesterday this was still the target.

However, if the commission is still not happy about the agreement after its four-month inquiry, it could outlaw the deal or ask the companies to amend it, for example by selling overlapping parts of the business.

Since EC merger regulations came into force in September 1990, 93 deals have been notified to the commission's merger task force, of which only six have gone into the second-phase four-month inquiry. Of those six, only one – last year's Franco-Italian bid for De Havilland, the Canadian aircraft-maker – has been blocked outright.

US anti-trust regulators open inquiries this month. If the deal does go ahead, Du Pont would become the largest manufacturer of nylon in western Europe, with 30 per cent of capacity.

Its main European competitor would be the new 50:50 joint venture between Rhône-Poulenc of France and Snia of Italy, with about 25 per cent of capacity.

The industry has been forced to consolidate because nylon sales have been hit by the world slowdown in construction – most is used in carpets. However, its problems go back to the early 1970s, since when it has lost market share especially in clothing to another artificial fibre, polyester.

ICI nylon operations have sales of about £600m annually and 6,100 employees in the UK, Germany and the Netherlands. By swapping nylon for acrylics, ICI distances itself from the textiles industry and concentrates on mainstream chemicals.

Dividend cut hits Sturge shares

By Richard Lapper in London

STURGE HOLDINGS, the biggest agency group on the Lloyd's of London insurance market, saw more than a third of its market capitalisation disappear yesterday morning after adverse reaction to a dividend policy change.

Sturge, which like Lloyd's is chaired by Mr David Coleridge, cut its interim dividend by 50 per cent to 2.75p. Pre-tax profits fell to £2.58m ($4.62m) from £3.70m in the six months to March 31, 1992.

The group is one of two agencies at Lloyd's with a full London listing. The other is A.J. Archer, which last week also reported a fall in pre-tax profits.

Sturge warned shareholders to expect a final dividend of 5.5p, down from 11p.

The shares plunged 65p to 105p on the news, before recovering marginally to close at 111p.

Mr Peter Davis, deputy chairman, said he was "disappointed" by the reaction but said the stock market had "regarded Sturge as a yield stock and the decision was bound to be adverse".

Operating income fell to £802,000 from £1.16m, following a rise in expenses to £11.4m from £11.07m. Interest and other income fell to £1.78m against £2.54m.

The group said it expected pre-tax profits for the year as a whole to be not less than £7.5m compared with £19.12 (before the write-off of deferred expenditure last year).

Analysts expect profits commission earned on the 1989 underwriting year, which will be reported in the second half, to shrink to around £5m, compared with £14m last year.

Sturge has reassessed underwriting prospects for 1990 and 1991 and said it would take longer than expected for group profits to return to previous levels.

Sturge syndicates have had to provide bigger-than-expected reserves for future losses in areas such as stop-loss insurance (which provides reinsurance for individual Names) and errors and omissions covers (which meet the cost of legal awards for agents' negligence).

Investment returns were also down, while a decision to scrap minimum commissions charged by the members' agency to Names would reduce revenues.

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Schering sets target date for action on ailing units

By Leslie Colitt in Berlin

SCHERING, the Berlin-based pharmaceuticals and chemicals group, said it expected to find a partner for its poorly-performing industrial and organic chemicals businesses or sell them by the end of July.

Mr Georg Obermeier, finance director of VIAG, the German industrial group, was quoted as saying his company wanted to buy the two Schering operations, but a Schering spokeswoman said no decision had been reached.

"We are still talking with several candidates, but have not yet chosen one with whom we would conclude a letter of intent," Ms Mechthild Weber said.

Earlier, Schering shareholders at the annual meeting were told that it was also seeking a partner or buyer for its electroplating sector by the end of next month.

Mr Giuseppe Vita, chairman, said sales were expected to rise by 5 per cent but that earnings would not reach the record level of last year when they rose 6 per cent to DM274m.

Despite flourishing pharmaceuticals sales, up 15 per cent in the first four months of this year, turnover in the important plant protection sector, which makes up 24 per cent of turnover, plunged 13 per cent in the same period.

The fall was largely accounted for by weakness in western European markets. Other "risks and burdens" include disproportionally heavy investments in research and development as well as expansion of marketing.

Personnel costs, too, had risen sharply and could not be compensated for by higher prices.

He said the EC's cuts in subsidies for grain and reductions in farmland were further handicaps.

Mr Vita, the only Italian national to head a large German company, said the pharmaceuticals sector, making up 56.4 per cent of total group sales, would be reorganised, with even greater emphasis placed on it in the future.

The company's presence in the US and Japanese markets is to be expanded.

Reed advances to £232m and warns of slow recovery

By Raymond Snoddy in London

REED International, the publishing and information group, warned yesterday it expected the pace of recovery from recession in its most important markets to be slower than in previous cyclical upturns.

The warning came from Mr Peter Davis, the Reed chairman, as he announced a 4 per cent increase in pre-tax profits to £232m ($417.6m) for the year to the end of March.

The half year to September had seen a 22 per cent fall in pre-tax profits to £85.3m.

Mr Davis confessed that a note of optimism expressed with the interim results had turned out to be premature.

"However, there has in recent months been something of a recovery in business confidence in the US and there are some signs in the UK which could turn out to be positive," Mr Davis said.

Reed's operating profit increased 9 per cent to £271m, earnings per share were 4 per cent higher at 29.3p and operating cash flow increased by 32 per cent to £293m – 108 per cent of operating cash flow.

Reed said that its dividend for the year would increase by 7 per cent to 16p. Reed's share price went up 6p to 580p on the London Stock Exchange on the news.

Mr Davis said that the results achieved, despite the deep recession, were "further evidence of the benefits of the strategy to concentrate on publishing and information businesses".

Despite advertising-based businesses being severely hit, the profit margin on sales was 16.6 per cent.

Five years ago Reed took a strategic decision to get out of manufacturing businesses such as paint, pulp and packaging and concentrate on publishing. The results of that decision are now being thoroughly assessed as part of a regular review of strategy.

In particular, the company is looking to see whether it is getting the right amount of leverage from the related nature of many of the businesses.

A further measure of consolidation is likely, although acquisitions are likely to outweigh any disposals.

Among the main Reed businesses, consumer publishing suffered a 22.9 per cent drop in operating profit to £52.4m, business-to-business publishing saw a modest improvement of 9.6 per cent to £36.4m, exhibitions rose 26 per cent to £30.5m, and reference publishing pushed up 64 per cent to £31.8m.

The fall in consumer publishing was caused mainly by the costs of buying market position in the recently deregulated TV listings magazine market.

The increase in reference publishing included a part-year contribution of £5.7m from the Macmillan Directories business bought from Mr Robert Maxwell for £84m a month before his death.

Mr Davis said that Reed was budgeting cautiously for the new financial year and would continue to contain costs so that "even a modest increase in revenue can translate into a proportionately higher impact on profit".

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BAe ousts chief of Royal Ordnance

By David White and Richard Donkin

BRITISH AEROSPACE has removed the managing director of Royal Ordnance, its armaments subsidiary, in a move revealing further sharp divergences within the group about its business strategies.

Mr Peter Kenyon, who had headed Royal Ordnance for three-and-a-half years, has been replaced by Mr David Parry, formerly engineering director of British Aerospace Defence, the company formed this year to pool all of BAe's military interests.

The Royal Ordnance board was told when it was summoned for a meeting on Monday by Mr John Weston, chairman of BAe Defence. The decision is believed to relate to irritation at BAe's headquarters about Mr Kenyon's independent approach.

It prolongs a series of top management upsets at BAe, following Professor Sir Roland Smith's resignation as chairman last September amid a row about the handling of a £432m rights issue. The latest upheaval comes only a month after Mr John Cahill, a former chief executive of the BTR industrial conglomerate, took over as the new BAe chairman.

Mr Kenyon's removal took colleagues at Royal Ordnance by surprise. One executive described the atmosphere in the company as "a bit like a pithead disaster". BAe however described the move yesterday as "a routine management change". It said Mr Kenyon remained employed by the group and was awaiting re-appointment to another job.

Correction

Rheinmetall/Ymos

IN THE International Edition of the Financial Times yesterday, a report on Rheinmetall Berlin, the German weapons, machinery and car components group, contained a paragraph about cost-cutting measures. This paragraph should have appeared in the accompanying report about Ymos, the car components manufacturer.

Ilva's loss jangles nerves of steel

Haig Simonian on the factors reshaping the industry worldwide

THE L498bn ($410m) loss announced on Tuesday by Ilva shows how deeply the steel crisis is affecting Europe's third biggest producer, which picked up the pieces of the Italian state steel industry after Finsider was wound up in 1988.

Like its big European counterparts, Ilva has been buffeted by weak demand and depressed prices, just as competition from low-cost eastern Europe and Third World producers is rising. Meanwhile, costs have climbed steadily.

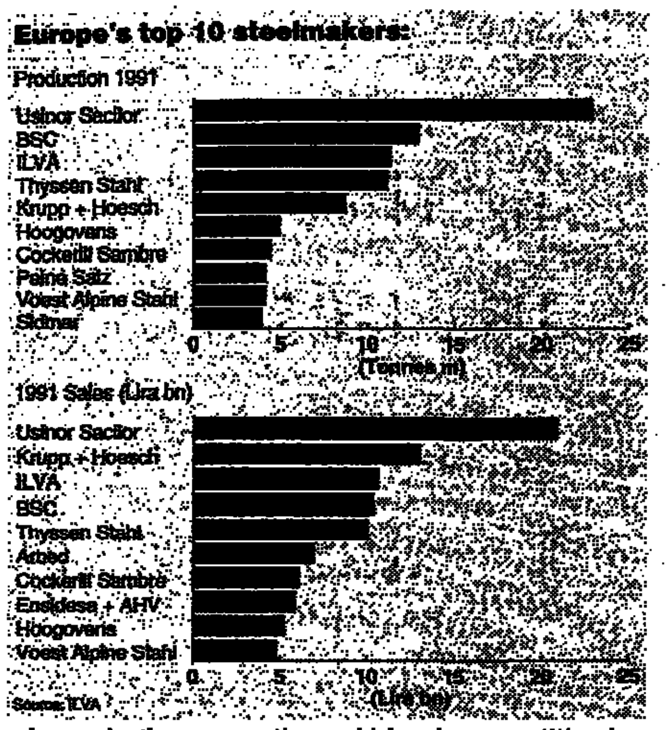
However, Ilva is more vulnerable than most. Executives claim it has been unfairly handicapped by the European Commission, which got it off to a bad start by saddling it with about L3,000bn more in debt than planned.

That, along with later spending on investments and acquisitions, pushed group borrowings up to L6,300bn by last December. Alter the debt-equity ratio, and Ilva would be in much better shape, they say.

Prospects for radical surgery to Ilva's balance sheet seem remote. Government funds have already been restricted by problems at IRI, Ilva's public-sector parent, which has had to adjust to a drip feed of state cash because of the country's spiralling budget deficit.

The European Commission is subjecting what government money is coming Ilva's way to minute examination to test whether it is for restructuring, not aid in disguise.

Last year's loss also quashed hopes of raising money from private investors. Under its managing director, Mr Giovanni Gambardella, Ilva has dreamed of a stock market flotation. However, Italian bourse rules require three consecutive years of profits before a company can go public. Last year's loss, which followed net earnings of L115bn in 1990 and L208bn in 1989, has dashed such plans: Ilva's only hope is for a quotation through the back door by merging with an already-listed company.



Rationalisation is Ilva's new buzzword. It is focusing on flat products, of which it is Europe's second biggest producer. Output, concentrated at its huge Taranto plant in southern Italy, amounted to 8.5m tonnes last year.

Other activities will be sold or spun off into joint ventures. Foremost is the big integrated steelworks at Piombino in Tuscany. The plant made about 1.5m tonnes of steel in 1990, mostly long products, for which price competition has been most severe.

Piombino has been hived off into a separate company, and Mr Gambardella thinks he is now close to a deal to bring in some of Ilva's leading private sector counterparts as co-shareholders. Executives hope to have a deal by year-end.

Mr Gambardella argues that the days of empire building for Italy's state steel industry are over. "I'd prefer to have 30 per cent of something that's making money than 100 per cent of something that isn't," he said last week. However, critics put many of Ilva's problems squarely at his door. Encouraged by a buoyant market, it went on a L1,300bn three-year spree of acquisitions and joint ventures after its birth. With new investments, group debt has doubled from L3,100bn.

Mr Gambardella defends many of the purchases as essential to protect its home market at a time of predatory expansion by European rivals, notably France's Usinor Sacilor. The 1990 alliance with Falck, a Milan steel group which also specialises in flat products, was driven by the fact that the French were also eagerly courting the company.

Disposals have become Ilva's top priority. In February, it sold its Capolo steel cans subsidiary under a complex deal involving a linked merger with a specialist lithography group. Ilva retained 18 per cent of the amalgam, now Italy's second-biggest steel packaging group.

Most of Ilva's manoeuvres have involved financial rather than physical engineering. In a race to generate extraordinary earnings to offset last year's steelmaking losses, the company reaped L411bn in capital gains by selling its headquarters building and its 49 per cent stake in a shipping group.

Using capital gains to increase profits and thus meet bourse requirements for a listing was derailed by IRI, which was uneasy about a flotation based on such poor quality earnings, especially when the steel market shows little sign of picking up.

Mr Gambardella may not have renounced ambitions of bringing Ilva to the bourse. Another big IRI subsidiary, Finmeccanica, has mapped out its part-privatisation in November by merging with SIFA, a little-known but already quoted IRI offshoot. Privately Ilva executives hint they have been thinking along similar lines.

Nordbanken loss grows to SKr1.97bn in quarter

NORDBANKEN, Sweden's state-controlled bank, suffered a SKr1.97bn ($345m) loss in the first quarter of the year, representing a 13 per cent fall from the SKr1.745bn loss made for the same period of 1991, writes Robert Taylor in Stockholm.

The bank said the further deterioration in its performance stemmed from a deepening of the crisis in financial and property companies, particularly in Sweden, which had borrowed heavily from the bank.

The total credit losses amounted to SKr3.208bn for the first quarter. The recent collapse of Coronado, the Swedish property company, occurred after the end of the first quarter, but would add to the bank's overall losses.

Nordbanken's financial results before credit losses worsened by 19 per cent in the first quarter to SKr1.238bn from SKr1.752bn for the same period of 1991. Credit loss for the whole of this year is expected to total SKr6bn-SKr8bn, making it impossible to fulfil its capital adequacy ratio requirement this year or in 1993, without a strengthening of its capital base.

In order to rescue the bank from its growing difficulties it was agreed last month the Swedish state would buy the whole of Nordbanken from its remaining shareholders and restructure it.

June 2, 1992 Annual and Extraordinary General Meetings.

"TOTAL now ranks among the world's top-performing oil companies. More ambitious goals lie yet ahead. Our shareholders are entitled to benefit from our future growth." Serge Tchuruk, Chairman and C.E.O. TOTAL.

The Annual General Meeting of TOTAL, which took place on June 2, 1992 under the chairmanship of Mr Serge Tchuruk, Chairman and Chief Executive Officer, adopted all the resolutions that were proposed.

In particular, financial statements for 1991 were approved, and a dividend of FF 7.00 per share was set payable as from 17 June 1992.* A tax credit of FF 3.50 will be added to this dividend.

The Extraordinary General Meeting, which was held at the conclusion of the AGM, adopted the four proposed resolutions.

Chairman's address

"Ladies and gentlemen, fellow shareholders.

Let me begin by thanking you for coming to our annual meeting and demonstrating your continued interest in your Company's development. It is particularly gratifying to welcome you here today, since TOTAL in 1991 confirmed its solid performance of 1990.

Net income rose by 43 percent over the year, to FF 5.8 billion. Taking into account the 15% increase in the company share base following the operations carried out on Hutchinson and OFP, and the public offering last October, the earnings per share went up by 24%. I therefore asked the Board of Directors to approve an increase in the dividend for the second year in a row, this time by 21.7 percent from FF 5.75 (after the stock split) to FF 7.00. This means that the pre-share dividend has increased by forty percent in the past two years.

Clearly, 1991 saw a very satisfying improvement in our earnings and our financial ratios. In particular, return on equity increased to nearly 15 percent, while our ratio of net debt to equity makes TOTAL one of the least leveraged oil companies in the world. A dynamic staff, productivity gains in all our business segments resulting from our new organization, higher oil and gas outputs and a favorable oil environment at refining margins level, are the main factors for this improvement.

FINANCIAL HIGHLIGHTS (FF million except per share and percent amounts)	1991 FF	1990 FF
Sales	143,019	128,445
Operating income of business segments	10,332	7,936
Consolidated net income (Group share)	5,810	4,064
Earnings per share*	110	89
Dividend per share*	28	23
Shareholders' equity	42,744	33,124
Net debt to equity ratio	25%	36%
Return on equity	14.9%	14.3%
Funds generated from operations	13,654	11,533
Gross capital expenditures	15,321	20,060

*before stock split effective February 10th, 1992

Initial indications from 1992, however, show a decline in refining results due to the economic slowdown in the major industrialized nations. First-quarter reports from large oil companies all mention its negative impact, especially when compared to the first-quarter 1991, when refining margins were particularly high due to market tensions following the Gulf War. In such a business environment it is encouraging to note that your company continued to exhibit its good overall competitiveness as illustrated by the expansion of its positions in the marketing segment, in particular in Europe, and by its new progress in the upstream segment, with higher oil and gas production.

The relative volatility of oil and gas demand also demonstrated how important it is for the Group to have a world-class speciality chemicals business, whose products are less exposed to oil price fluctuations and the multi-year cycles experienced in petrochemicals.

After a highly eventful 1991, the first months of 1992 have seen a number of important developments, including the confirmation that our non Middle-East oil and gas production will likely increase by fifty percent over the next five years and double within the next ten; the growth in the chemical specialities portfolio with the acquisition of an Italian ink company a German synthetic resins producer; and especially the broadening of our international presence in the fast-growing Southern Europe region, with the ongoing acquisition of an equity interest in Petrogal, the Portuguese national oil company in the process of privatization.

At the same time, your Company is actively committed to the protection of the environment. New products were recently launched, such as an oxygenated gasoline that further reduces harmful emissions, sulfur-free and odorless diesel fuel, and a new line of lubricants with recyclable packaging. But on this important issue we feel that your Company should clearly state its values. A safety and environmental protection charter defining the responsibilities of both the Company and each of its employees has been made public and we are providing you today with a copy of it as a token of our commitment.

Before concluding, I would like to make a few comments on two recent events that are of immediate importance for your Company.

The first is the retirement of René Granier de Lilliac, Honorary Chairman, and the forthcoming departure of our Senior Executive Vice President, Pierre Vaillaud. René, whose term as Director expires at this meeting, is leaving a Board on which he sat for over twenty years. I would like to take this opportunity to express our appreciation for the work he accomplished as Chairman and Chief Executive Officer from 1971 to 1984. In his place, your Board asks you to elect Bernard Esambert, Chairman and Chief Executive Officer of Compagnie Financière Edmond de Rothschild. As for Pierre, after devoting a large part of his professional career to TOTAL, which he first joined in 1968, he has been asked to take over the management of Technip. We are all confident that Pierre's recognized professional talent and personality will be just as beneficial to Technip as they have been to TOTAL.

The second current event is the planned reduction of the French State's participation in TOTAL. In this respect one should remember that TOTAL has always been a private sector company and has been managed as such since the beginning. The French government's May 15 decision to reduce its direct and indirect participation in TOTAL from 34 percent to 15 percent with its direct stake amounting to five percent, is a logical consequence of the dramatic changes in the global oil industry since the 1920s, when the French State first took a significant stake in TOTAL's share capital. The government's decision will help enhance your Company's continued growth and industrial development, while preserving our contribution to France's energy independence and security of supply.

The legal analysis of the 1924 and 1930 Conventions between TOTAL and the French State has concluded that there is no obstacle to the sale of the State-owned shares to parties other than French State related shareholders. However, we feel it appropriate to amend the Company's Bylaws in order to extend to the State-owned shares the terms and conditions applicable today only to the State-owned subscription rights. This is the purpose of the fourth resolution submitted to the Extraordinary General Meeting. The approval of this resolution will also give the Board the right to agree or not on the potential candidates who may purchase the formerly State-owned shares.

I would like to conlcude by reminding you that despite the cyclical ups and downs of our business environment, TOTAL enjoys a large number of serious competitive strengths. Our profitability is one of the best among oil companies. Our strategic redeployment has consolidated our business base. Our balance sheet is sound. We remain still committed to far-reaching, ambitious goals and are taking the determined actions needed to make TOTAL a world-class company. And let me assure you that we are as dedicated as ever to enabling our shareholders to benefit fully from our development.

Every member of our staff is clearly committed to go forward on the road to quality and excellence. I would like to thank each and every one of you for helping us make our vision of the future come true."

**This dividend is due to each of the 184,813,716 shares of FF50 eligible to the 1991 dividend, following the four-for-one stock split carried out in February 1992.*

Payment of the dividend, the amount of which will be dependent on the terms of the double tax convention between France and Great Britain, will be settled upon presentation of the coupon and completion of form RF 4 GB.

Residents may lodge this form with the Bank acting as their agent, either in France or in the United Kingdom, at any time up to 31 December of the second year following the collection date of the coupons. As a result of French legislation on the "dematerialisation" of securities, payment of the coupons will be made through the Paris-located banks with which the securities have been deposited.

Copies of the 1991 Annual Report may be obtained upon request from:
Direction de la Communication
Tour Total
Cedex 47 92069 Paris la Défense
France

TOTAL

TOTAL BY NAME. TOTAL BY NATURE

TOUR TOTAL, 24 COURS MICHELET, PUTEAUX, FRANCE SOCIÉTÉ ANONYME CAPITAL STOCK FF9,240,685,800 REGISTERED IN NANTERRE RCS B 542 051 180

O&Y's US unit needs at least an extra $30m soon

By Alan Friedman in New York

OLYMPIA & YORK'S US subsidiary will soon need at least $30m more than its cash-flow is generating if it is to carry on servicing its US debt and avoid a possible US bankruptcy filing.

The Canadian property developer, which has already placed its Canary Wharf project into administration in the UK and filed for bankruptcy protection in Canada, is hoping to sell a major Manhattan property and a series of financial assets before the end of this month in order to raise the needed cash.

The danger of O&Y bank creditors breaking ranks was highlighted a few days ago when Svenska Handelsbanken of Sweden brought a lawsuit in New York demanding the prepayment of a $12.5m unsecured line of credit to O&Y.

O&Y is due to respond in court to the Svenska legal action later this month. A ruling requiring O&Y to pay Svenska could eventually trigger cross-default mechanisms among US bank creditors.

Negotiations concerning the sale of an O&Y 34-storey Park Avenue building – to Mutual of America, an insurance company – are understood to be at an advanced phase.

But the sale, if it goes through, is expected to provide only enough net cash for O&Y to pay off more than $100m of mortgage loans on the property that are owed to a bank consortium led by First Chicago.

The sale of financial assets is meanwhile being pursued in order to generate the $30m of cash needed to make principal and interest payments on other New York properties.

O&Y is in technical default on several New York mortgage obligations, including a missed principal payment on its Liberty Plaza building in lower Manhattan and a missed interest payment on a Euroyen bond related to Tower B of the World Financial Centre.

In both of these cases, O&Y has obtained a temporary standstill agreement with creditors and is seeking to restructure its debt obligations.

Seagram's drinks profits ahead

By Robert Gibbens in Montreal

SEAGRAM, one of the world's largest drinks groups, says its international spirits and wine business improved profit in the first quarter ended April 30 because of a broad restructuring, especially in Europe, and a sharper focus on premium and core brands.

But overall group net income slipped to US$167m, or 44 cents a share, from $188m, or 50 cents a share, in the 1991 first quarter.

"Margins continued to improve despite the lost contribution of divested brands and difficult economic conditions in North America, Europe, Japan and Brazil," said Mr Edgar Bronfman Sr, chairman.

The Tropicana fruit juice unit turned in a strong performance but operating income was negatively affected by heavy investment in international expansion.

Seagram, one of the world's top four drinks groups, said sales dipped to $1.24bn from $1.4bn because of the brand divestments and foreign accounting changes. Final operating income from the drinks and juice businesses was $166m, against $165m.

Including $69m dividends received from the Du Pont chemicals giant, owned 25.5 per cent by Seagram, income after taxes was $120m, or 32 cents a share, up 4.3 per cent from a year earlier. But Seagram also shares in Du Pont's unremitted earnings and these were sharply lower in the quarter because of the impact of the recession on Du Pont's results.

Trizec in fresh move to prop up Bramalea

By Bernard Simon in Toronto

TRIZEC, North America's biggest publicly-traded real estate developer, has again moved to prop up its 67 per cent-owned subsidiary, Bramalea, in a protracted bid to avert another spectacular collapse in the Canadian property industry.

Bramalea, which has debts of C$4.8bn (US$4bn), will gain a little extra breathing room by selling a shopping mall in Alberta to another Trizec-controlled company, and a 50 per cent stake in a mall in Ottawa to Ontario's municipal pension fund.

Bramalea over-extended itself in the housing market in California and Ontario during the boom of the mid-1980s. Besides 28m sq ft in office and shopping centre space, it rents out more than 3,000 apartments and townhouses, and owns 5,000 acres of undeveloped land, about one-third of it in California.

Bramalea is burdened with financial problems which are at least as severe as those of Toronto-based Olympia & York.

O&Y's troubles have further clouded Bramalea's prospects. Mr Marvin Marshall, Bramalea's president, said yesterday institutional investors had become more hesitant about investing in real estate since O&Y's liquidity crisis surfaced earlier this year.

This reluctance is likely to force Bramalea to revise its target of selling C$1bn in assets within the next 30 months.

The company is in the throes of drawing up a new strategic plan to take account of the recent deterioration in the business climate.

Nonetheless, Bramalea's eagerness to dispose of assets appears so far to have assuaged its main lenders.

"I don't see how a receiver could do a better job," one Toronto real estate financier said, noting that property brokers both in the US and Canada are actively seeking buyers for numerous Bramalea properties.

Mr Marshall expressed confidence that the company faced no threat from its banks.

With debt and equity markets unreceptive to providing more funds, Trizec's continued support is seen as crucial to Bramalea's prospects.

Both companies are part of the vast resources, financial services and consumer products empire controlled by Toronto's Bronfman family.

Two months ago, Trizec invested C$76m in a Bramalea rights issue which was shunned by outside investors. The rights were offered at C$4 apiece. Bramalea's shares were trading at C$1.85 on the Toronto stock exchange yesterday.

Trizec has also agreed to take dividends from Bramalea in the form of stock, rather than cash. Trizec itself has debts of C$9bn. Although it has a more secure cash-flow than Bramalea, Trizec's share price has tumbled to its lowest level in more than two decades.

Bramalea said that the sales of the Alberta and Ottawa shopping malls would reduce its debt by C$48m and provide additional working capital of C$10.5m.

The company last week also reached an agreement to sell 50 per cent of two central Toronto office buildings, including its own head office, to the Ontario teachers' pension fund.

Hungary approves acquisition by Heinz, Hillsdown

By Nicholas Denton in Budapest

HEINZ and Hillsdown, the international food groups, yesterday received approval from the Hungarian government privatisation authority, to acquire Kecskemeti Konzervgyar (Kecskemeti Canning Factory), a Hungarian food processor.

The companies, which made the only offer for the group, are taking a 93 per cent stake.

The purchase price was not disclosed, but Heinz and Hillsdown have promised to make substantial investments in the group.

The Hungarian food processing industry, while seen by investment bankers as possessing great potential because of the country's strong agricultural base, is in crisis following the collapse of the market in the former eastern bloc.

Bekescsabai Konzervgyar, one of the largest canning companies, recently went into liquidation.

Allied-Signal gets into shape

Martin Dickson looks at the improved performance of the US group

THE SHARE price says it all: In the year since Mr Lawrence Bossidy was named as chairman of Allied-Signal, the stock market value of one of America's biggest industrial technology companies has more than doubled.

The increase – from around $29 a share to about $60 – was initially due to Mr Bossidy's reputation as one of America's top managers. But more recently the increase has reflected the remarkable improvement in Allied's performance as he has imposed a slimming and muscle-toning regimen on what had been a distinctly flabby body.

The question now is whether, with the easiest improvements already in hand, he can keep the share price rising.

A tall, intense man, who speaks at breakneck speed, Mr Bossidy came to Allied from General Electric, the industrial and financial services group which has a reputation as one of the best-managed companies in the US. For seven years, Mr Bossidy had been number two to GE's chairman, Mr Jack Welch, and before that he masterminded the creation of GE's huge financial services arm.

At Allied he replaced Mr Edward Hennessy, who retired after 12 years as chairman. During that time he turned a stodgy chemical company – Allied Chemical – into a $12bn turnover high technology conglomerate through acquisitions such as Bendix (in 1983) and Signal (1985).

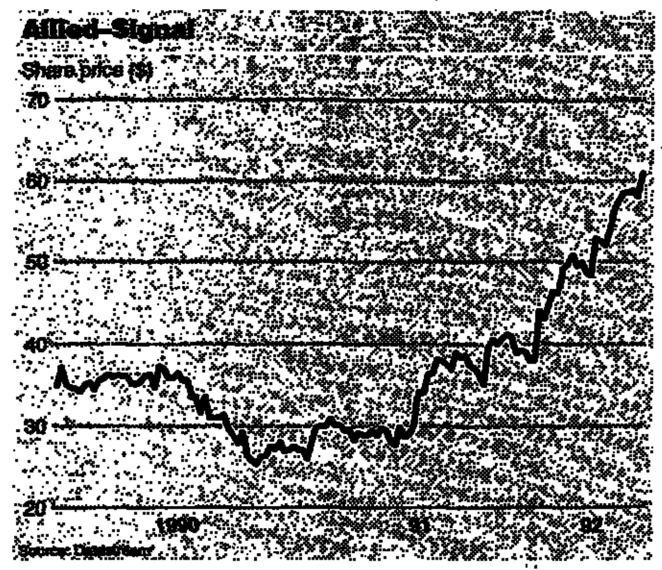
The result is a company with three legs: aerospace, with products such as aircraft engines and brakes; automotive, making parts such as braking systems, seat belts and spark plugs; and engineered materials, making products ranging from carpet fibres to automotive catalysts.

The Hennessy years made Allied a much stronger (albeit still rather anonymous) company, less vulnerable to the economic cycle. But, along the way, it lost a clear sense of direction, and its proliferating bureaucracy and loose management controls contributed to a lacklustre earnings record and poor image on Wall Street.

Enter Mr Bossidy, bursting with the latest management ideas, fine-honed at General Electric. His conclusion: Allied was potentially a fine company with strong market positions in each of its fields and good technology. But it was not working its assets hard enough and not getting the best out of employees.

He has set some ambitious long-term financial goals, including boosting the operating margin from 5 per cent to 9 per cent by 1994, improving productivity by 6 per cent a year, and reaching a return on equity of 18 per cent by 1994, against 10.5 per cent last year.

Stage one has involved a wholesale streamlining of the business. Plants have been consolidated (mainly in the automotive business); materials purchasing has been centralised to achieve economies of scale; so too have group services, for example with one data centre replacing 10. The salaried workforce is being cut by 6,200, or 16 per cent.



Mr Bossidy estimates all this will produce savings of $400m a year by 1994, with the bulk of that – $300m – coming through this year, giving a $1.30 a share boost to earnings. The company believes this will allow it to earn from $3.60 to $3.85 a share this year, depending on the strength of the US economic recovery, compared with $2.51 in 1991 (before one-time restructuring charges).

He has also reversed what had become a rather worrying drain of cash from the business, which in the middle of last year looked likely to total $750m on an annual basis. However, Allied preserved cash by measures such as cutting its dividend and increasing the intensity with which it turns over working capital.

The company has long been criticised by Wall Street for excessive R and D spending, and Mr Bossidy has attacked this, too, capping 1992 spending at $380m a year, roughly the same as 1991, and insisting the money be used more productively.

All these measures meant the cash drain from the business last year was just $195m, while this year it is expecting cash-flow to be neutral. Mr Bossidy also wants to reduce the group's indebtedness, which currently stands at 42 per cent of total capital, through the disposal of Allied's US oil and gas assets, which the company values at $1bn. But at the moment the market for energy assets is weak.

While this quick-fire action has certainly given an impressive boost to the company's financial performance, it remains questionable just how strongly it can keep growing over the long haul. After all, it faces intense international competition in all of its markets, and the aerospace sector looks particularly vulnerable, given US defence cuts and a weak commercial aviation market.

Mr Bossidy says Allied will greatly benefit from even a moderate upturn in the depressed US auto market, and its chemicals side will also be helped by a US economic rebound.

As for aerospace, he points out that sales to the Pentagon account for only 34 per cent of the subsidiary's total, and that most of these revenues come from mature programmes, where there is a lot of demand for spare parts which should decline slowly. "While we will be hurt to some extent... we don't think its going to be a dramatic dislocation." As for the civil side, he acknowledges the airlines are currently suffering, but thinks this will be a good business in the long term.

The company is still working on its long-term strategic plan, which it expects to unveil after a major management debate this summer.

Mr Bossidy argues that for a company such as Allied to succeed in the 1990s it needs two essential ingredients: improving productivity to boost margins, because competition will keep a lid on its ability to raise prices; and "a global reach because markets are going to become less distinguished."

He is pushing for productivity improvements through the fashionable theory of total quality management – the idea of driving for continuous quality improvements by concentrating on customers needs and worker involvement. The aim is to train all employees by the end of next year, and Mr Bossidy says it is vital that this genuinely changes the group's culture and is not "just a banner, a slogan, a lot of fluff."

As for international growth, Allied already has a large presence in Europe, which accounts for $2.9bn of group sales and 15,000 of its 94,000 employees. The bulk of this comes from automotive components, but earlier this month it began a big expansion of its industrial fibres operation with construction of a new $220m plant in France.

Mr Bossidy, who also sees major opportunities in south-east Asia, hopes to build the group's overseas sales to 40 to 45 per cent of the group total, from 30 per cent now.

Acquisitions, both domestic and foreign, will have a role in the growth. Mr Bossidy says he would like to do two or three $300m niche takeovers a year.

He has certainly made a dramatic, racing start. But sustaining the improvement in Allied's performance, as he himself acknowledges, is going to require a fundamental change in the corporation's culture. The hardest part may just be beginning.

Restrictions on Australia TV licence bids

By Kevin Brown in Sydney

DOMESTIC television networks, telecommunications carriers and newspaper groups will be excluded from the bidding for Australia's first subscription television licence, the federal Labor government said yesterday.

The announcement reversed earlier indications that the three commercial television networks and the government-owned Australian Broadcasting Corporation (ABC) would play a leading role in establishing subscription television.

Mr Paul Keating, the prime minister, said the restrictions would apply to the licence to operate the first four satellite channels, which are expected to become available in 1994.

However, Mr Keating said the restrictions would not apply to separate licences for the fifth and sixth channels, which are expected to start transmitting a year later.

Mr Keating said foreign investment would be restricted to a total of 35 per cent in each licence, with a ceiling of 20 per cent on individual shareholdings.

The announcement ends a lengthy Labor wrangle over the extent to which participation by the commercial television networks would increase the concentration of media ownership.

It means that Mr Kerry Packer's Channel Nine television network, which was considered most likely to invest in subscription television, will be excluded from the first round of licences.

The decision also excludes the Channel Seven and Channel Ten commercial networks, the News Corporation and Fairfax newspaper groups, the ABC and the government-owned Australia and Overseas Telecommunications Corporation.

However, there will be open competition, with no restrictions on ownership, for the fifth and sixth channels, raising the possibility that Packer could gain sole control of one channel.

The government had earlier indicated that the commercial networks would be allowed to hold up to 45 per cent of the equity in the first four channels, which would have had a monopoly of subscription television until 1999.

Mr Keating said the regulations would lead to a significant reduction in media concentration by facilitating the entry into satellite television of new operators such as cinema proprietors, radio stations and programme makers.

He said the rules would also allow the operators of the fifth and sixth channels to introduce advanced inter-active technology, which would have been excluded until 2000 under the earlier proposals.

However, critics said the government would have to change the rules to allow greater foreign investment in the first four channels if insufficient Australian investors emerged.

First-quarter reverse at SSAB

By Robert Taylor in Stockholm

SSAB, the Swedish state-controlled steel company that is being privatised, reported yesterday a profit of SKr87m for the first quarter of the year, down from SKr208m for the same period of 1991.

The drop in profitability was blamed by the company on a lower volume of business. Operating revenues fell to SKr4.35bn from SKr5.08bn for the first quarter of 1991.

But SSAB added that steel consumption in Sweden appeared to have stabilised at the level it reached at the end of last year. The company said that its prices were 6 per cent lower during the first four months of this year than the average they had been during 1991, but 3 per cent higher than the average for the past four months.

SSAB's cash-flow amounted to SKr68m, compared with SKr 422m for the first quarter of last year, while its net liquid assets (after deduction of short-term financial borrowing) totalled SKr2.26bn, up SKr400m from the beginning of the year.

On prospects for the rest of 1992, SSAB said: "The crucial factor was the trend in European steel prices for the second half of the year, and as these were difficult to predict it is not meaningful to hazard any forecast of 1992 earnings."

Repap optimistic on outlook

By Robert Gibbens

US ADVERTISING has reversed its two-year decline, according to Repap Enterprises, North America's third-biggest producer of coated papers for magazines and newspaper inserts. Industry order backlogs, it added, were running 25 per cent higher year to year.

"The US recovery is under way," Mr George Petty, chairman, said, after Repap's annual meeting. "A price rise of 6 to 12 per cent, according to grade, due July 1 should stick and European producers will go along."

The increase was led by Champion International, the leading producer. Groundwood coated papers now sell for US$680 to US$800 a short ton.

Repap has completed C$2bn (US$1.6bn) investments at its New Brunswick and Wisconsin coated paper mills and at its big north-western British Columbia softwoods kraft pulp mill. It was caught by severely depressed pulp and paper markets last year, and delayed a big pulp expansion in Manitoba indefinitely.

Repap reduced its losses in the first quarter this year. Mr Petty said that, with higher prices for pulp and coated papers, second-half cash flow would cover interest costs and Repap would be back in the black in 1993.

Mr Petty, who admits he underplayed the severity of the recession and Bank of Canada monetary policies, said he saw "a new golden era" for Northern softwood pulp on world markets because little new capacity was coming on stream.

Also, little new North American coated paper capacity was due on stream by 1995. Producers operated at 92 per cent of capacity in April.

Mr Petty said Repap would concentrate on reducing more than C$1bn in term debt over the next 18 months.

Repap would retain ownership of its new Alcell pulping technology. The first full-scale commercial plants to use it would be financed by outside partners.

A demonstration plant had shown the process could operate on softwood as well as hardwood.

Target markets set by Zurich Insurance

By Ian Rodger in Zurich

ZURICH Insurance, which has expanded rapidly in the US in recent years, is focusing plans for expansion on the UK and Germany. "The two markets where we believe we are not represented as well as we would like are Germany and the UK," Mr Rolf Hüppi, chief executive, said yesterday.

Mr Hüppi said that the group was "obviously" looking for acquisitions." He said the group was patient and was not inclined to make hostile bids.

Zurich earlier this year acquired the Australian interests of the UK composite insurer, Guardian Royal Exchange, but Zurich officials did not encourage speculation that this deal might lead to something bigger. "If we had found the company we wanted, we would have done a deal," Mr Hüppi said.

Another Zurich official indicated that the group had no interest in Municipal Mutual, a UK company in difficulty. He said that most of Municipal's business came from the UK public sector, and that could drift away quickly if the company acquired a foreign owner.

Mr Rolf Hänggi, deputy chief executive, said Zurich expected "a good overall financial result" this year after last year's 11.7 per cent rise in net earnings to SFr431.8m ($296m).

Control Data aims for more than mere survival

US computer group sees radical surgery as a solution to its difficulties, writes Louise Kehoe

AFTER years of divestitures and closures to tackle mounting problems, Control Data, the US computer group, has decided to undergo radical surgery aimed at ensuring growth rather than mere survival.

The company, which was already a shadow of its former self, split into two independent companies in a determined move to become a more sharply-focused information services company.

A proud pioneer of the computer industry, Control Data, under the new name of Ceridian, will be transformed into a provider of computer services.

The spin-off company, Computer Data Systems, will comprise the remnants of a computer manufacturer that in its heyday was seen as a challenger to International Business Machines.

Control Data made its mark in the 1960s with high-speed computers for scientists and engineers designed by its star engineer, Mr Seymour Cray.

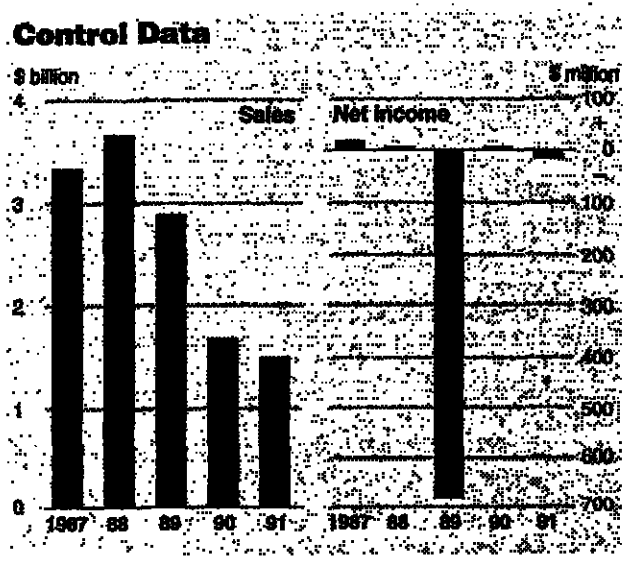
Then, in the early 1970s, Mr Cray left to form his own company, Cray Research, which went on to dominate the supercomputer market.

Control Data's founder, Mr William Norris, began an ill-fated round of acquisitions, taking the company into dozens of fields that were unrelated to its computer technology roots.

The company payroll expanded from 13 employees in 1957 to more than 60,000 worldwide by the early 1980s, while sales peaked at $5bn in 1984. Since then, Control Data has been on a downward spiral. Revenues slid to $1.5bn last year, when the company recorded losses of $9.8m.

"This company has faced enormous difficulties since 1984," Mr Lawrence Perlman, president and chief executive, acknowledged. Over the past few years, Control Data has sold several businesses, including its supercomputer business, commercial credit operations and computer disk drive manufacturing in efforts to cut costs.

"Most of what we've done up to now has been aimed at survival," said Mr Perlman. "Now we are able to take actions that have the potential to enable the businesses to grow."



Under the plans announced last week, Control Data Systems will be formed from Control Data Corporation's computer products group.

The computer company will start life with annual revenues of about $600m and a base of more than 1,000 customers.

The remaining services and defence businesses, which last year accounted for about two-thirds of Control Data's total revenues, will be renamed Ceridian. This company's operations will include computer services, such as payroll processing.

It will also own Arbitron, which provides audience ratings for television shows; a service that authorises cheques and credit cards for retailers; and a group that designs computer systems for government agencies.

The split frees Ceridian to pursue its service businesses without the cloud of losses from Control Data's computer products operations. It will also enable the restructured company to present a clearer message to potential investors and partners, Mr Perlman believes. As the president and chief executive of Ceridian, Mr Perlman aims to put the company on a growth path. He sees opportunities to expand the company's payroll and employee services business.

"We are the second largest payroll processor, but we only have about 4 per cent of the market. We can make some modest acquisitions to expand our presence in that market. There is a lot of potential for growth."

Ceridian also aims to expand its government systems business, which has traditionally focused upon large-scale defence contracts, into civilian government agency contracts.

Overall, Ceridian should be able to increase its revenues at a rate of about 10 per cent a year, Mr Perlman estimated.

After a transition period, the computer spin-off, Control Data Systems, may also be able to achieve profitable growth, he predicted.

Currently, however, the computer products group is operating at a loss, but when it becomes an independent company Control Data Systems will be profitable, said Mr James Ousley, who will become president and chief executive of the newly-formed company. He has run Control Data's computer products group for the past three years.

Since 1989, the computer products group has been focusing upon "open systems" products that adhere to industry standards. Although sales of these new products are growing, they have yet to compensate for a decline in revenues from proprietary systems.

The new company will be able to "pick and chose" the best technologies available and form relationships with companies that provide them, Mr Ousley said, suggesting this will give Control Data Systems an edge over competitors who are aligned to one technology source. Forming strategic partnerships and finding equity investors proved impossible for the Control Data computer group until the plan to spin off the business as an independent company became known, said Mr Ousley.

Silicon Graphics, whose workstation products are resold by Control Data, has now agreed to take a 10 per cent equity stake in the new company and strengthen ties with marketing and technology sharing agreements.

NEC of Japan has also tentatively agreed to take a 5 per cent stake in Control Data Systems and expand its existing supercomputer marketing agreement to include joint marketing and development activities in RISC microprocessors and UNIX software.

Whether the sum of the parts of Control Data will be more successful than the whole remains to be seen. It is clear, however, the company had little choice but to submit itself to radical surgery if it was to have any chance of recovery.

Hong Kong and Shenzhen in talks on dual listing

By Alexander Nicoll, Asia Editor

SHARES listed on the Shenzhen stock exchange in southern China could be traded on the Hong Kong stock market if talks under way between the two markets bear fruit, according to officials of the Shenzhen exchange.

The dual listing would cover "B" shares, which are listed in Shenzhen but may only be traded by foreigners and paid for in foreign currency. However, the proposal still has to be approved by authorities in both China and Hong Kong.

The Shenzhen officials were in London yesterday as part of a round-the-world trip with Credit Lyonnais Securities Asia. They are also visiting Edinburgh, Paris, New York and Washington. They held talks with the London Stock Exchange and made a presentation to brokers and fund managers.

The Shenzhen market, one of two stock exchanges in China, has met huge investor demand since it began trading in December 1990. This reflects growing prosperity in Shenzhen, a special economic zone bordering Hong Kong, as well as in the rest of southern China. Foreign investors are attracted by the sharply rising market and the opportunities opening up in China.

Questions from British-based institutions reflected their hesitancy to become involved. They concerned the violence surrounding queues outside Shenzhen brokers' offices, information provided by listed companies, the quality of new issue prospectuses, pricing of new issues, gaps between payment for new issues and listing, absence of securities law, and failure to consolidate subsidiaries in accounts.

Mr Zhen Qinan, assistant general manager of the exchange, said Beijing officials had recently visited it and were drawing up a securities law which would cover insider trading, fraud and investor protection.

Mr Zhang Hongyi, vice-mayor of Shenzhen, said funds were being formed with the aim of creating investing institutions for the domestic "A" share market and removing part of the speculative element.

However, officials admitted that regulations were still inadequate.

French insurer buys stake in Sauternes producer

By Alice Rawsthorn in Paris

AXA, one of France's largest insurance groups, has increased its wine interests by buying control of Château Suduiraut, one of the best-known sources of Sauternes wine, in a deal worth around FFr108m ($20m).

Château Suduiraut, a 17th century castle at Preignac in the Gironde region of south-west France, produces one of France's most famous Sauternes.

The chateau, in which Axa is acquiring a 51 per cent stake, has an estate of 200 hectares, of which 88 are currently in production.

Axa, together with a number of other French financial institutions including Groupe des Assurances Nationales and Assurances Générales de France in insurance and the Crédit Foncier bank, is an active investor in the wine industry. It already has wine interests in Pauillac, Pomerol, Saint-Emilion and Burgundy.

● Fimat, the futures broking unit of France's Société Générale, has reinforced its presence in Singapore by buying Babcock Fulton Prebon, one of the market's leading participants. As a result, Fimat will become a clearing member of the Singapore International Monetary Exchange.

Foster's shares rise as investors back BHP decision

By Kevin Brown in Sydney

FOSTER'S Brewing Group shares rose 8 cents to a 19-month high of A$2.08 yesterday as Australian investors showed their support for a decision by Broken Hill Proprietary (BHP) to put Mr John Elliott's International Brewing Investments (IBI) into receivership.

Analysts said BHP's action had laid the groundwork for a significant recovery in the value of Foster's shares, which have been depressed by the financial instability of IBI and International Brewing Holdings (IBH), its privately-owned parent.

BHP shares closed unchanged at A$14.40, indicating that investors believe BHP has the financial strength to carry out its pledge to stabilise Foster's by doubling its exposure to the group to more than A$2bn (US$1.53bn).

BHP appointed receivers to IBI on Tuesday after Mr Elliott failed to produce a plan to repay its preference investment, which amounts to more than A$1bn including accumulated interest.

Mr Elliott controlled 32 per cent of Foster's through IBI, and a further 6 per cent was directly owned by IBH, a private company established by Foster's managers in 1989.

IBH acquired loans of about A$2.6bn to finance the acquisition of its Foster's shareholding, which was worth about A$1.6bn when the receivers moved in. The company was unable to meet interest payments because of a lack of dividends on the Foster's shares, its only asset.

Mr Elliott is expected to return to Australia from New York shortly to discuss the receivership with Mr David Crawford, the KPMG Peat Marwick accountant who has been appointed joint receiver of IBI.

BHP is believed to be keen to develop proposals for a merger with Foster's put forward last month by SA Brewing, the South Australian drinks and industrial group.

Meanwhile, BHP said talks were continuing with a syndicate of banks led by Hongkong Bank Australia, which is owed A$1.2bn by IBI. BHP has offered to buy the debt to prevent a dispute over security which could destabilise Foster's. BHP has revealed no details of the buy-out deal, but it is believed to have offered to repay the principal, plus interest and costs.

● Two Australian wine concerns have agreed to merge and list on the Australian Stock Exchange, AP-DJ reports from Adelaide. Berri Renmano, an unlisted public wine concern, proposed last month to merge with Thomas Hardy. The merger will form Australia's second biggest wine company.

The merged company, to be known as BRL Hardy, will have sales of over A$200m.

Agreement signed for Australian Airlines sale

By Kevin Brown

THE Australian government and Qantas yesterday signed heads of agreement for the international airline's A$400m (US$303m) purchase of Australian Airlines, the government-owned domestic airline.

The signing clears the way for the sale of 35 per cent of the merged airline to foreign carriers, followed by the sale of 15 per cent by tender to Australian institutions and a flotation of the remaining 50 per cent.

Mr Bill Dix, Qantas chairman, said the sale value of the merged airline would be between A$2.5bn and A$3bn. Qantas hopes about A$1bn will be set aside by the government for recapitalisation.

Qantas expects the trade sale component of the sale to be completed by the end of this year. The flotation is expected to take place in March or April next year.

British Airways, Singapore Airlines and Air New Zealand are the only overseas airlines to have emerged as serious bidders for Qantas and Australian.

In a separate development, the Australian and New Zealand governments said some trans-Tasman routes would be opened to carriers other than Qantas and Air New Zealand from November.

INTERNATIONAL CAPITAL MARKETS

Danish referendum triggers widespread sell-off across Europe

By Tracy Corrigan and Sara Webb in London and Patrick Harverson in New York

EUROPEAN bond markets were sent reeling yesterday following the Danish referendum on European union.

The Danish rejection of the Maastricht treaty has thrown the future of monetary union into doubt and consequently

GOVERNMENT BONDS

destroyed the theory of convergence, which has driven European bond markets for the past few years. If European monetary union is no longer a certainty, the rationale for European economies to move closer together – causing rates in higher-yielding markets to fall – evaporates.

The Ecu bond market bore the brunt of yesterday's sell-off, although prices regained about ½ point after suffering losses of as much as two points.

The new issues market in Ecus is now closed for the foreseeable future, reversing its recent substantial growth. Dealers said liquidity had dried up as participants tried to sell bonds. Since many traders had expected the treaty to be ratified by Denmark, prompting a rally in the Ecu bond market, there were numerous long positions, which proved difficult to liquidate.

On the Matif, the Ecu bond future fell the maximum 1½ points, triggering temporary suspension of the contract. When trading reopened, the price rallied about 18 basis points to close at 105-92.

"Unless we see a quick solution, the risks are very severe, compared with other markets," said Mr Neil Rogers, an analyst at UBS Phillips & Drew.

■ THE Italian government bond market slumped by over 1.5 points as investors scrambled to move out of high-yielding bonds in the wake of the Danish referendum.

The futures contract settled 160 basis points lower in trading of 62,000 lots, but finished off the day's lows.

The May 2002 bond ended at 96.97-97.04, well below the previous day's close of 98.08-98.11, while the Liffe September BTP contract settled at 96.69, against 98.29 on the previous day.

■ UK government bonds plummeted over 1 point following Denmark's vote and the announcement that France now intends to hold a referendum on treaty ratification.

The outcome of the Danish referendum raised fears of a realignment in the exchange rate mechanism of the European Monetary System and led to concern in the gilt market over the ease with which the government will be able to fund the public-sector borrowing requirement in future.

Long-dated gilts showed the sharpest falls, with the benchmark 11¾ per cent due 2003/07 dropping from 117¾ to 116¾. At the shorter end of the market, the 10 per cent gilt due 1994 fell from 101¼ to 101⅜. The Liffe gilt futures contract fell from 99.13 to 98.16. Volumes were very heavy at about 70,000 contracts.

Mr Nigel Richardson, economist at S.G. Warburg, said Denmark's vote raised fears of a realignment of the EMS currencies. "If you are looking for who might be desperate to devalue, the UK has to be on the list of candidates," Mr Richardson said, pointing to the UK's inflation and current account problems.

■ THE French bond market held up better than most other markets apart from Germany, although prices fell about ½ point on an announcement that France will hold a referendum on the Maastricht treaty later this year. The French government bond contract on the Matif ended ¾ point lower at 107.78.

The French market came through better than most mainly because of strong economic fundamentals, which convinced traders that the market did not rely on the constraints of monetary union. "Markets like France and Holland have independent credibility," said one analyst.

■ THE German bond market was the main beneficiary of the uncertainty over the future of European monetary union yesterday, with dealers reporting a strong rise in bunds at the start of trading.

"There was a marked flight to low-yielding, non-converging instruments such as bunds," said one dealer.

The Liffe bund futures contract opened at 87.98 and rose to 88.07 within an hour of the market opening. After dropping to a low of 87.61, the future ended the day around 87.75. Volumes in the futures market were high.

■ THE Nordic government bond markets dropped over 1 point initially, but later made some recovery as investors looked for bargains.

Danish bonds dropped 2 points on Tuesday evening after the referendum results came out. The 9 per cent 2000 bond closed at 101.90 on Tuesday, opened at 99.60 yesterday, and ended the day at 100.30 to yield 8.93 per cent.

■ JAPANESE government bond prices climbed yesterday as the yen strengthened against the US dollar following the Bank of Japan's intervention in the foreign exchange markets.

The dollar opened at Y127.00 and ended at Y126.90 in Tokyo, but later moved to Y127.50 in London trading.

The benchmark No 129 JGB opened with a yield of 5.505 per cent and closed at 5.485 per cent. In the futures market, the September contract climbed from its opening level of 101.85 to reach a high of 102.08, but traders said this marked a strong resistance level, and the futures contract fell back on profit-taking to close at 101.95.

■ US Treasury markets settled down yesterday after some early profit-taking in the wake of Tuesday's late rally on the Federal Reserve's surprise coupon pass. Prices were left little changed in subdued trading.

By late afternoon, the benchmark 30-year government issue was down ⅛ at 101⅜, yielding 7.870 per cent. The two-year note was slightly firmer, up 1/32 at 99¾, yielding 5.175 per cent.

The market generally ignored the day's economic news – a 1 per cent increase in factory orders during April, and an upward revision in annual unemployment figures. Investors remained reluctant to trade ahead of tomorrow's key employment report for May.

BENCHMARK GOVERNMENT BONDS

		Coupon	Red Date	Price	Change	Yield	Week ago	Month ago
AUSTRALIA		10.000	10/02	105.6257	+0.897	9.00	9.17	9.40
BELGIUM		9.000	06/01	100.8000	-0.450	8.87	8.81	8.85
CANADA *		8.500	04/02	100.7800	+0.100	8.39	8.50	8.70
DENMARK		9.000	11/00	100.2750	-1.675	8.93	8.75	8.80
FRANCE	BTAN	8.500	03/97	98.5230	-0.486	8.87	8.74	8.88
	OAT	8.500	11/02	98.7700	-0.500	8.68	8.53	8.70
GERMANY		8.000	01/02	100.0900	-0.060	7.97	7.95	7.98
ITALY		12.000	02/02	96.8300	-1.170	12.94†	12.64	12.66
JAPAN	No 119	4.800	06/99	95.2108	+0.041	5.76	5.81	5.97
	No 129	6.400	03/00	104.9113	+0.221	5.50	5.60	5.68
NETHERLANDS		8.250	02/02	99.2100	-0.220	8.38	8.30	8.34
SPAIN		11.300	01/02	100.2500	-1.850	11.22	10.88	10.90
UK GILTS		10.000	11/96	102-25	-15/32	9.21	9.12	9.27
		9.750	08/02	104-08	-28/32	9.10	8.98	9.13
		9.000	10/08	100-21	-36/32	8.92	8.82	9.00
US TREASURY *		7.500	11/01	101-03	-2/32	7.34	7.35	7.42
		8.000	11/21	101-14	-3/32	7.87	7.86	7.92
ECU (French Govt)		8.500	03/02	98.0000	-1.470	8.81	8.62	8.76

London closing. *New York closing. Yields: Local market standard
† Gross annual yield (including withholding tax at 12.5 per cent payable by non-residents.)
Prices: US, UK in 32nds, others in decimal. Technical Data/ATLAS Price Sources

SIB approves unit trust investment in Mexico

By Scheherazade Daneshkhu

THE Mexican Stock Exchange was approved last week for unit trust investment by the UK's Securities and Investments Board.

The lifting of the restriction means that authorised unit trusts are no longer limited to investing a maximum of 10 per cent in Mexico as an unapproved market.

The SIB said it had taken the decision in response to requests from a number of fund managers. "The SIB approval is a huge relief," said Mr James Fairweather, manager of Martin Currie's Emerging Markets unit trust.

The approval is unlikely to lead to rush of single country Mexico unit trusts but the ruling will give fund managers greater flexibility. The 10 per cent limit applies to investments throughout the fund, a particular limitation on emerging markets funds.

"It had tied our hands in other countries such as Brazil and China, and it now gives us great flexibility," said Mr Fairweather.

Mexican companies placed around $4.8bn of stock last year and have raised another $3.6bn so far this year. Most of the Mexican stock sold internationally has been through American Depository Receipts in New York. UK unit trusts funds can now invest directly in Mexican stock.

Mr Kevin Carter of Providence Capitol, which has a Latin America unit trust, said the move would improve the liquidity of the market since ADRs represent only a sub-sector of shares in a company's issue. "Mexico is a large, well-established market, and it was sensible to have it approved," he said.

● France plans to reduce by half the amount of tax-free capital gains allowed on money market mutual funds.

The measure is aimed at promoting a new long-term savings account product that invests in French equities.

Money market funds have experienced strong growth in recent years, at the cost of other investment vehicles.

Liffe plans to improve availability of prices

By Tracy Corrigan

THE London International Financial Futures and Options Exchange (Liffe) yesterday announced plans for revitalising the UK equity options market in response to a survey of members.

Volume in the ailing market for individual UK stock options has improved somewhat since Liffe merged with the London Traded Options Market earlier this year. For example, volume in individual stock options reached 432,000 contracts in May, compared with 360,000 a year before. However, the market is still felt to be far from achieving its potential.

The main problem identified by members was the poor availability of prices in the stock options market, which was considered an even greater handicap than lack of liquidity.

Consequently, Liffe plans to address the issue of price dissemination by developing systems and procedures to distribute accurate and up-to-date prices for equity options.

A pilot "Autoquote" system is already in place for index options, and will be extended to individual stock options. However, traders said the system has experienced some teething problems, and the inclusion of many complex series of stock options could be difficult.

The survey also identified demand for longer-dated options, both in index and individual stock products. A study will be carried out to identify which products are needed.

Other priorities include education and promotion among both retail and institutional investors, and a fresh look at liquidity and trading arrangements. A more detailed plan of action is now being prepared.

Swedish borrower postpones launch of $500m issue

By Simon London

TURBULENT conditions dissuaded borrowers from launching new issues in the international bond markets yesterday and caused the postponement of at least one substantial Eurodollar deal planned for today.

INTERNATIONAL BONDS

The Swedish national housing association, SBAB, decided not to launch a $500m five-year bond issue. Nomura International, which had a mandate to lead-manage the issue, said the borrower was unwilling to launch a new issue against a background of volatile Scandinavian financial markets.

However, syndicate officials are expecting a number of substantial new issues in US and Canadian dollars over the next few days.

Ontario Hydro announced plans to launch a global bond issue of at least C$1.5bn. The final terms and maturity were still under discussion yesterday, but the deal will be joint lead-managed by Merrill Lynch, Goldman Sachs, Nomura and Wood Gundy.

Other regular borrowers – including Finland – are also looking to raise substantial funds from the Euromarket, with most favouring large, dollar-denominated issues.

Meanwhile, Isveimer, the Italian development bank for southern Italy, became the latest financial institution to raise floating-rate funding in the Eurodollar sector.

The borrower launched a $125m three-year paper which pays 40 basis points over the six-month London interbank offered rate. Wholly underwritten by Credit Suisse First Boston, bonds were re-offered to investors at a fixed rate of 99.66 and were held at this level until late afternoon.

Banco de Credito Nacional (BCN) became the latest in a line of Brazilian banks to tap the Eurodollar sector, raising $60m two-year funding in a deal lead-managed by Chase Investment Bank.

The bonds pay a semi-annual 10.5 per cent coupon and were re-offered to investors at a fixed price of 99.06, where the yield was 10.94 per cent. At launch, this was around 540 basis points more than the yield available on three-year US Treasury notes.

Even by the standards of Latin American borrowers, the paper offered an enticingly high yield. Bonds issued by other Brazilian banks yield around 10 per cent or less in the secondary market. BCN is one of the larger Brazilian commercial banks, with assets of around $2.9bn.

NEW INTERNATIONAL BOND ISSUES

Borrower	Amount m.	Coupon %	Price	Maturity	Fees	Book runner
US DOLLARS						
Isveimer(b)‡†	125	(b)	100	1995	(b)	CSFB
Banco de Credito Nac.(c)†	60	10.5	99.06	1994	1.125/0.75	Chase Inv.Bk.
Walsin Lihwa Corp.(j)§†	55	3	100	2002	2.5/1.5	Jardine Flemming Intl.
CANADIAN DOLLARS						
City of Quebec(d)†	21	9	101.80	1997	1.875/1.25	BIL
City of Quebec(e)†	16	9.625	102.05	2002	2/1.375	BIL
YEN						
Sumitomo Realty & Dev.(f)†	30bn	(f)	101.75	1999	1.875/1.5	Nikko Europe
Sumitomo Realty & Dev.(g)†	20bn	(g)	101.875	2000	2/1.75	Daiwa Europe
Sumitomo Realty & Dev.(h)†	20bn	(h)	101.75	1996	1.875/1.675	Daiwa Europe
Sumitomo Real.&Dev.(i)‡†	20bn	(i)	100.10	1996	(i)	Goldman Sachs Intl.

**Private placement. §Convertible. ♦With equity warrants. ‡Floating rate note. †Final terms. a) Non-callable. b) Coupon pays 40bp over 6-month Libor and payable semi-annually. Fees undisclosed. Non-callable. c) Coupon payable semi-annually. Non-callable. d) Tranche A of C$37m deal. Non-callable. e) Tranche B of C$37m deal. Non-callable. f) Coupon pays 4.75pc from & including June 17, 1992 to, but excluding, Sep. 18. Thereafter coupon will be 6.15pc. Non-callable. g) Coupon pays 25bp over 3-month Libor to Sep. 18, 1992 then 6.2pc thereafter. Non-callable. h) Coupon pays 3-month Libor to Sep. 18, 1992 then 6.1pc thereafter. Non-callable. i) Coupon pays 20bp over 3-month Libor. Fees undisclosed. Non-callable. j) Amount increased from $50m. Conversion premium fixed at 7.09%. Callable at 104% on or before June 11, 1997 declining by 1% per annum to par. Put option on 11.6.97 at 132.59 to yield 6.50%.

MARKET STATISTICS

FT/ISMA INTERNATIONAL BOND SERVICE

Listed are the latest international bonds for which there is an adequate secondary market. Closing prices on June 3

[illegible]

RISES AND FALLS YESTERDAY

	Rises	Falls	Same
British Funds	1	75	5
Other Fixed Interest	0	14	3
Commercial, Industrial	181	379	838
Financial & Property	76	218	504
Oil & Gas	15	23	48
Plantations	0	0	9
Mines	29	12	104
Others	37	41	50
Totals	339	762	1,611

LONDON RECENT ISSUES

EQUITIES

[illegible]

FIXED INTEREST STOCKS

[illegible]

RIGHTS OFFERS

[illegible]

LIFFE EQUITY OPTIONS

[illegible]

June 3 Total Contracts 15,384
Calls 10,139 Puts 5,245
FT-SE Index Calls 2,410 Puts 682
Euro FT-SE Calls 580 Puts 30
Eurotrack 100 Index Calls 0 Puts 0
*Underlying security price. † Long dated expiry months
Premiums shown are based on middle prices.

TRADITIONAL OPTIONS

- First Dealings May 18
- Last Dealings June 5
- Last Declarations Aug. 20
- For settlement Sept. 1

3-month call rate indications are also shown on this page.

Calls in Birkdale, British Data Management, Eurotunnel, Industrial Control Services, MTM, Proteus Intl., Palon, Racal Elects., Ransomes, Reed Intl., Tarmac and Vistec. *Puts in* Bulgin A and Speyhawk. *Put and call in* Emess.

TRADITIONAL OPTION 3-month call rates

■ INDUSTRIALS	p	Charter Cons.	37	Ladbroke	18	Sears	8½	■ OILS	
Allied-Lyons	49	Comm Union	34	Legal & Gen	29	SmKl Schm A	60	Aviva Pet	25
Amstrad	6	Courtaulds	43	Lex Service	22	TI	55	BP	18
Astec (BSR)	3	Eurotunnel	32	Lloyds Bank	32	TSB	11½	Burmah Castrol	48
BAT Inds	58	FKI	6	Lonrho	12	Tesco	22	Conroy Pet	6½
BOC	53	FNFC	7	Lucas Inds	12½	Thorn EMI	63	Gaelic Res	½
BTR	35	Forte	19	Marks Spencer	27	T & N	11½	Premier Cons	2¾
Barclays	29	GKN	33	Midland Bank	30	Unilever	70	Shell	35
Blue Circle	24	Gen Accident	38	NatWest Bank	26	Vickers	15	Tuskar Res	½
Boots	34	GEC	17	P & O Dfd	37	Wellcome	75	■ MINES	
Bowater	60	Glaxo	52	Racal Elect	5½	■ PROPERTY		RTZ	47
Brit Aerospace	26	Grand Met	38	RHM	18	Brit Land	18		
British Steel	7	GRE	13	Rank Org	55	Land Sec.	30		
Brit Telecom	25	Hanson	18	Ratners	3	MEPC	28		
Cadburys	38	ICI	95	Reed Intl	44	Mountleigh	1½		

Interest income helps VSEL rise 18%

By Jane Fuller

A TREBLING of interest income on a fast growing pile of cash helped VSEL Consortium, the nuclear submarine builder, to increase pre-tax profit by 18 per cent in the year to March 31.

Reassuring news on the fourth Trident submarine, the next class of submarine, and on Ministry of Defence acceptance for a howitzer design helped push the shares up 36p to 454p.

The pre-tax profit advance from £40.7m to £47.9m came on flat turnover of £520m (£523m) and in spite of a near £6m drop in profit from the non-submarine business.

Trading profit inched ahead to £38.1m (£37.5m), while net interest income soared to £9.8m (£3.2m).

A cash inflow of £50.5m brought the total amount held to £201.8m. Mr Noel Davies, chief executive, said net cash stood at just over £100m.

The inflow had been achieved by successful management of the Trident submarine contract. He said the placing of the order for the fourth Trident was expected within the next few weeks. This would bring the order book to £4bn.

Its £6m study contract for the Batch 2 Trafalgar Class submarine would put it in a good position to be prime contractor later in the decade.

The submarine division made £41.8m (£40.2m) profit on sales of £390m (£421m). A small amount of conventional submarine work is still taking place at the Cammell Laird yard on Merseyside.

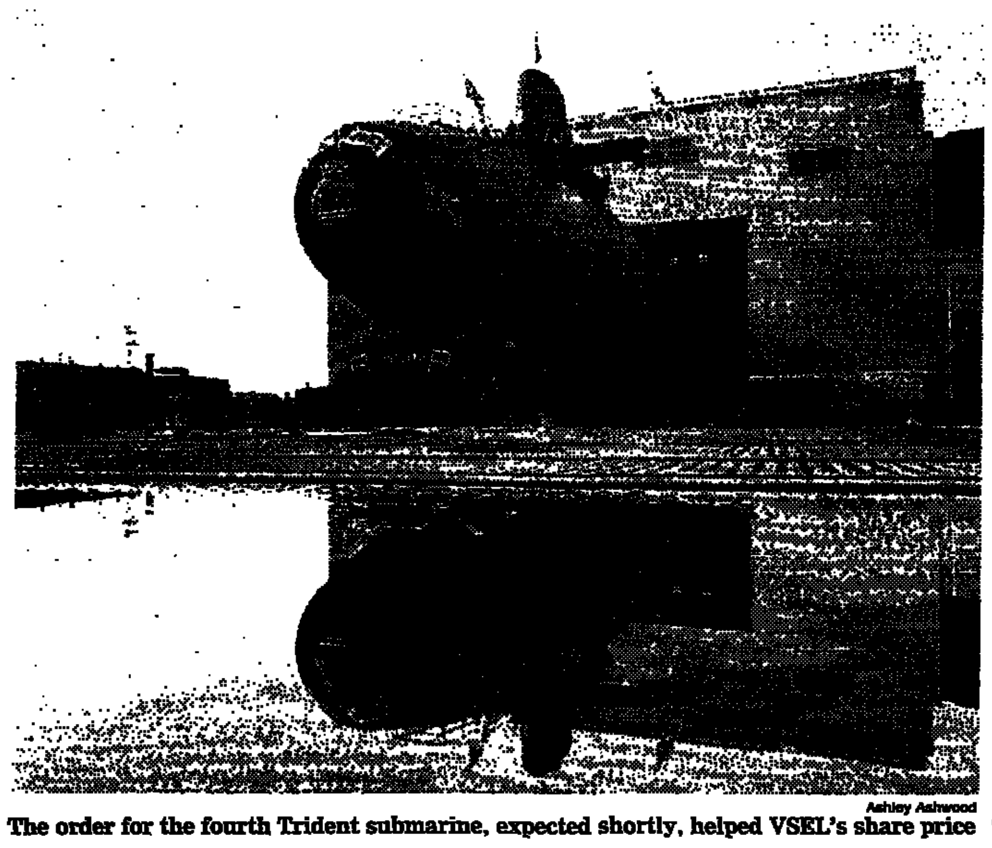
The group provided for the yard's closure and losses in last year's £125m extraordinary charge. This was also to cover a near halving of the workforce at the Barrow-in-Furness submarine yard from 14,000 two years ago to between 7,000 and 8,000 by 1995.

Other activities, including the self-propelled howitzer and work for the off-shore industry, made only £600,000, down from £6.5m, on sales of £130m (£101m).

Earnings per share rose to 82.4p (74.1p) and a proposed final dividend of 17p (15.5p) makes a total of 25p (22.5p).

● COMMENT

VSEL's low p/e rating – less than 5 prospectively – and high yield is testimony to the fright investors have taken at the defence industry. Its millstones have been its 90 per cent dependence on the shrinking UK defence budget and its nuclear submarine niche, which caused a panic in the days when Labour was expected to win the election. It is worth remembering that the proposed 6 per cent reduction in defence spending over three years still leaves annual procurement at the best part of £9bn. Meanwhile, its monopoly of nuclear submarines is a plus, it has a chance of getting back into ship-building and the howitzer project and off-shore start-ups are nearer to making profits. That said, the group remains rather hamstrung by Barrow. It seems to feel it cannot acquire elsewhere while it is cuting jobs there and the chances of its political plea for government aid to bring in new employers must be marred by the barriers to building roads and railways in the Lake District. Pre-tax profit is forecast to rise to about £53m, the prospective yield is more than 8 per cent and it has more cash than its market value. For those not frightened by defence it remains reasonable value.



Ashley Ashwood

The order for the fourth Trident submarine, expected shortly, helped VSEL's share price

NFC plans new share scheme to boost employee ownership

By Roland Rudd

NFC, the transport, freight and distribution company, is to offer its workers an innovative package of incentives to buy shares as part of a drive to prevent its level of employee ownership from falling below 45 per cent.

Mr James Watson, chairman, believes the continuing UK recession is partly to blame for the fall in employee share ownership. When he announces the interim figures on June 17 he will warn that there are no tangible signs that the recession is coming to an end.

For the first time since the company was floated on the Stock Exchange in 1989 employees are to receive one bonus share for every share purchased plus an option to buy a further share.

Mr Watson said: "The normal practice of UK companies is to offer options to executives only, but that is not NFC's culture which is based on everyone in the business being able to share in its success."

Managers will have to make an investment up front in NFC before they are granted options.

The new scheme, approved at an extraordinary meeting on Saturday, will replace the existing share saving programme which offered employees two free shares for every five purchased.

Mr Watson said it was designed to prevent the level of shares held by employees and their families from falling below 45 per cent.

Since 1989 the level of shares held by solely by employees fell from 30 per cent to 19 per cent.

Mr Watson hopes that the new scheme, which will come into effect next year, will account for the bulk of profits set aside for profit sharing. A maximum of 15 per cent of the profits may be put aside for profit sharing, although the annual figure depends on the performance of the company.

Last year employees received about 120 free shares from profit sharing. The new scheme is designed to give a greater reward to those who save for shares.

Mr Watson said: "The new share schemes are essential if we are to maintain into the 21st century the high level of employee share ownership."

Restructured St James's Place Capital moves ahead from £4.3m to £18.4m

PRE-TAX PROFITS at St James's Place Capital, the dealing and investment business chaired by Lord Rothschild, rose from £4.3m to £18.4m over the year to March 31.

The company was created by a demerger of J Rothschild Holdings in 1990, and has been used as a vehicle for corporate finance work by Lord Rothschild.

Much of the profit increase came from the sale of Bishopsgate Progressive Unit Trust Management, to J Rothschild Assurance which brought in a profit of £4.9m.

There has been extensive restructuring – investment income declined from £24.7m to £13.4m, while fund management income increased from £5.1m to £8.3m.

The final is 1.5p. Net asset value per share rose from 91.7p to 95.5p over the year.

Leica may sell majority stake in camera offshoot

By Angus Foster

LEICA, the precision optical and scientific instruments group which Mr Stephan Schmidheiny, the Swiss industrialist, took private from the USM last year, is discussing the sale of a majority stake in Leica Camera, its camera making subsidiary.

At least two potential buyers have approached the Swiss-based company. One is a group of investors including Mr Bruno Frey, managing director of Leica Camera's German manufacturing operations. The other is an unnamed American distributor of photographic equipment.

Mr Fritz Staudacher, head of corporate communications, said the company had decided to concentrate on its optical and scientific business and seek a partner to invest in and develop the camera subsidiary.

"But we are not forced to do it. We will only take a partner if we are convinced it will work," he said. No details on price or what size of stake, if any, Leica would retain in the subsidiary have been released.

Leica Camera has manufacturing plants in Germany and Portugal, a sales network in Europe and the US, and rights to the Leica Camera brand.

Unotec, Leica's ultimate holding company, would retain the brand name for the non-camera businesses.

In the 1991, the latest year for which results are available, Leica Camera made operating profits of £2.64m from sales of £53.8m. Microscopes, scientific and surveying instruments made combined profits of £13.2m from sales of £455.8m.

DIVIDENDS ANNOUNCED

		Current payment	Date of payment	Corres - ponding dividend	Total for year	Total last year
CML Micro §	fin	3.7	July 31	2.9	3.7	2.9
Reed Intl	fin	10.75	Aug 14	10	16	15
Siebe	fin	12.1	Oct 1	11	18.15	16.5
St James's Place	fin	1.5	July 22	1.5	3	3
Sturge	int	2.75	Sept 1	5.5	-	16.5
VSEL	fin	17	Aug 17	15.5	25†	22.5

Dividends shown pence per share net except where otherwise stated. †On increased capital. §USM stock.

Chief executive expected to step down before the year-end

Siebe beats City hopes with £170m

By Peggy Hollinger

MR BARRIE Stephens, the chairman who led the transformation of Siebe, the engineering concern, into one of the world's leading controls manufacturers, is expected to step down as chief executive before the end of the year.

Mr Stephens, while announcing a better-than-expected 7 per cent advance in pre-tax profits to £169.6m for the year to April 4, said yesterday that his successor was in place, but has not yet been named.

Although Mr Stephens did not specify his future role, he said: "If the board considers me to be of use then I'll stick around . . . If they think [not] then I'll go play golf."

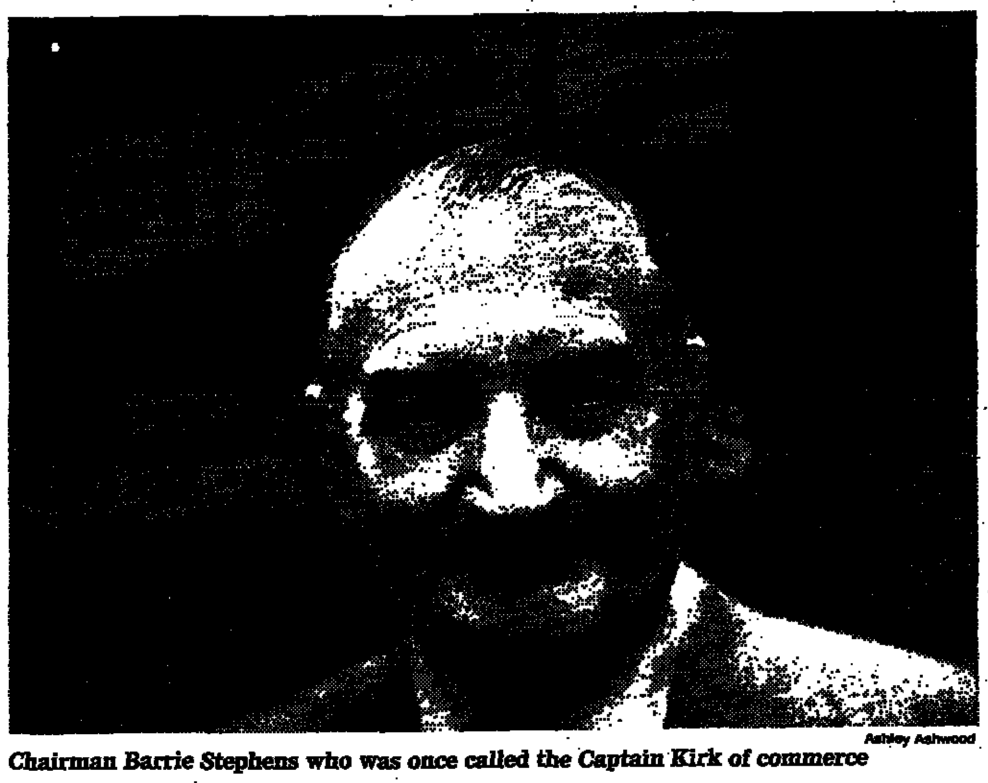
City analysts dismissed the possibility that Mr Stephens – whose energetic management style and ruthlessness have been responsible for a six-year growth in sales from £370m to £1.6bn – would enjoy the latter alternative.

It has been suggested that Mr Alan Yurko, head of the controls division – which includes Foxboro, the US controls group purchased in 1990 – would become chief executive, with Mr Stephens staying on as non-executive chairman.

The recovery of Foxboro, and of the US economy, were the key elements in last year's buoyant results. The market, which had been expecting a marginal rise to £160m, subsequently marked the shares up 12p to 739p at the close.

US sales in the fourth quarter were especially buoyant, with parts of the controls division showing a 6 per cent advance on the previous year.

Mr Stephens said they remained "encouragingly ahead". Sales for the group as a whole rose 10 per cent to £1.6bn.



Ashley Ashwood

Chairman Barrie Stephens who was once called the Captain Kirk of commerce

Siebe reduced staff by almost 2,400 people, bringing the total to 32,000. Redundancy costs and severance pay had sliced £6.6m from the bottom line, Mr Stephens said.

He pointed out that Siebe remained on target for reducing gearing to the "mid-50s" by August 1993.

Cost-cutting and control of working capital had helped to cut gearing from 98.1 per cent to 78.8 per cent.

Interest payments, however, rose from £48.9m to £63.5m due to the inclusion of Foxboro for a full 12 months, compared with seven months last time.

Mr Stephens was unapologetic about Siebe's practice of capitalising intangible assets – mainly software development. "You have to attribute to the balance sheet the value of intellectual property," he said. The "intelligent" controls market was the way of the future, he added. "If you are not intelligent you might as well stay home and die."

During the year, Siebe capitalised £27m of software development, while depreciation charges came to £24m.

The controls division increased pre-tax profits from £93.6m to £117.5m, on sales £172.6m ahead at £1.1bn.

Foxboro contributed £13m (£500,000) in profits after all financing obligations, Mr Stephens said, while gross margins there had risen by 10 percentage points to 45 per cent. The costs of restructuring the US company totalled £29.6m (£39.9m) and were expected to come to about £15m this year.

Compressed air saw taxable profits halve from £24.3m to £12.1m. The division had been the "most ravaged by recession" with its main customers in the severely depressed mining industry.

Specialist mechanical engineering saw pre-tax profits fall by £1.8m to £11.9m, while safety and life support fell from £25m to £23.4m pre-tax. Property profits rose from £2.5m to £4.7m.

Earnings per share rose from 46.1p to 47.6p. The final dividend is increased to 12.1p for an 18.15p (16.5p) total.

See Lex

Dowty and TI in war of words

By Richard Gourlay

DOWTY GROUP, the aerospace and information technology company, began the last week of its defence against the hostile takeover bid from TI by accusing its suitor of under-estimating Dowty's ability to recover from the recession.

In a circular to shareholders Dowty also said that if shareholders accepted the TI offer their income would fall by 41 per cent, due to the lower yield on TI shares.

TI immediately dismissed the circular, saying Dowty's higher-than-expected £29m profit estimate for the year to March 1992 was well within the range anticipated before the bid.

A TI adviser also said Dowty's argument about yield took no account of the potential capital gain from holding TI shares and that shareholders should consider their total return on investment.

"This latest statement from Dowty is a damp squib," TI said. TI said its offer valued Dowty at a multiple of 30 this year's estimated profits.

TI's shares rose 12p to 357p, partly in sympathy with the rise in the share price of Siebe, the engineering group. Dowty's shares rose 3p to 176p, above the 175p per share value of the cash alternative.

In its circular Dowty said it saw little or no premium in the price offered by TI. Management had already taken much of the action that TI said it would take and that it had a different management from that which had put Dowty into its difficulties.

TI has consistently rejected this argument.

Unilever announces review to improve head office operations

By Maggie Urry

UNILEVER, the multi-national consumer products group, yesterday told its 1,800 head office staff of an extensive review of the corporate centre's workings.

The review is expected to lead to job losses, although the company said yesterday it was too early to say how many or in which areas.

The group divides its head office between London, with 1,200 people, and Rotterdam, where 600 are employed. Both offices will be maintained, Unilever said. It added that the process was not merely a cost-cutting exercise.

The aim was to ensure that the head office was providing essential services to the operating units in the most cost effective way.

The head office would be adapted to provide direction to the businesses into the next century, the group said.

The review follows the succession of Mr Michael Perry to co-chairman last month, following the retirement of Sir Michael Angus. It also follows changes within many of the group's operations, such as the rationalisation of the European food business in preparation for the single market, and the unification of some of the detergent operations which had been organised on a national basis.

The group has already decided to concentrate on four main areas – food, personal products such as toothpaste and shampoo, detergents, and speciality chemicals. It wants to look at each area on a more international basis.

Each department in the head office will make proposals for its future organisation.

These recommendations are expected to be completed by the year end and after consultations, implementation should begin early next year, although it will be carried out department by department.

Put back in its place by a parent

David Barchard on the turnround at Marine Midland

THREE YEARS ago Marine Midland, the US subsidiary of Hongkong Bank, was an ambitious money centre bank battling against a hostile environment.

Today it has settled down to something more like its historical origins as a regional niche player, back in profit and relying on retail banking and small businesses in its home state.

In between lies a period when the bank lost nearly half a billion dollars in two years and Hongkong Bank was obliged to pour in top management and new capital to nurse it back to financial health.

For Hongkong Bank, now battling with Lloyds in a £3.9bn bid for Midland Bank of the UK, the experience shows the pitfalls of entering a new market and leaving things to local management.

It also suggests however that, faced with a seriously troubled subsidiary, Hongkong Bank has the management capacity to make a swift and successful response.

"We are now well capitalised, generously reserved, and very liquid," says Mr Keith Whitson, executive director.

Hongkong Bank's connection with Marine Midland, which has no historical connection with its UK namesake, dates back to 1978.

Traditionally Marine Midland had been a large and rather conservative New York State regional bank with 316 branches, established in the second half of the last century and based in Buffalo near the Great Lakes in the north east of the state.

At the end of the 1970s Marine Midland hankered after diversification into more exciting activities such as investment banking and lending to developing countries without having the necessary capital base to do so.

When Hongkong Bank bought 51 per cent of its equity, while agreeing to leave its board and management in place for at least five years, Marine Midland seemed on course for its planned diversification.

Things went well for most of the 1980s. In 1987 Hongkong bought the remaining 49 per cent of Marine Midland's stock.

Two years later, lending mistakes made during the 1980s came home to roost. Provisions for loan losses climbed to $414.3m, rising to $557.3m the following year. A $12.8m profit in 1989 became a horrific loss of $295.6m in 1990. Things were not much better in 1991 when the bank lost $189.9m.

Marine Midland was one of three loss-making subsidiaries in the group, the others being Hongkong Bank of Australia and James Capel, its London stockbroker.

The subsequent turnaround has been achieved partly by putting in top management from the rest of the group, a process which culminated in the appointment in June 1991 of Mr John Bond, a Hongkong Bank main board director, as president and chief executive officer in place of Mr Geoffrey Thompson. In October 1991, Hongkong Bank injected $200m in new capital.

The strategy behind the turn around involved a drastic change in the bank's business areas and the shrinking of its loan book.

Key points in the strategy were:

- Falling back on Marine Midland's traditional core business in retail banking and lending to medium and small businesses in New York state;
- Cutting costs
- Withdrawing from more than a dozen activities including motor finance, national real estate lending, international private banking, equipment leasing, and leveraged buy-outs.
- Reducing developing country debt exposure. Marine Midland's developing country debt portfolio shrank from $1.13bn at the end of 1989 to about $17.1m early this year.

By the beginning of 1992, light was beginning to show at the end of the tunnel. Losses in the final quarter of the year were $23.8m, compared to $164.3m in the last quarter of 1990. In the first quarter of this year Marine Midland reported earnings of $2.6m up from losses of $72.3m in that period in 1991.

One result of all this is that Marine Midland is now a smaller but cleaner bank with a strong capital base. Total assets have fallen from $27.06bn in 1989 to $16.94bn at the end of last year, while its total loan book is down from $22.67bn in 1989 to $10.48bn at present.

Staff numbers have been trimmed from 13,538 at the start of 1990 to 10,450 two years later.

With the bank back in profit, the shrinking process is now over. What is left is a bank which relies almost entirely on retail deposits for its funding and only slightly on wholesale funds.

Having devoted so much time on it, Marine Midland's parent will now presumably want to sit back and enjoy some of the rewards.

In the longer term, there may be a question about the exact role an up-state regional bank, albeit one based in the retail finance activities in which the Hongkong Group is also a specialist, has inside a global bank.

COMPANY NEWS: UK

High cost of bidding for Jubilee line extension

By Andrew Taylor, Construction Correspondent

CONSTRUCTION companies estimate that they have spent at least £50m to prepare bids to build the £1.7bn extension to the Jubilee Underground which has been threatened by the decision to place the Canary Wharf office development into receivership.

Bids have already been submitted for most of the 10 mile extension.

London Transport has already identified an all-Italian consortium led by Italstrade as being likely to win the contract for the 2¼ mile section between Canary Wharf and Canada Water on the south bank of the Thames.

Contractors are concerned about the potential waste of money spent on preparing bids as well as the possible loss of such a large project when construction order books are already at a low ebb.

Construction work at Canary Wharf itself has halted while construction companies negotiate with the development's administrators over £60m of payments and retentions which are thought to be owed by Olympia & York to contractors.

Part of a contract payment is normally retained by developers for up to 12 months against the possibility of defects emerging after a building has been completed. Retentions can represent between 2½ per cent to 5 per cent of the building cost.

O&Y

Bovis, Trafalgar House and Mowlem are among contractors still owed money under retention agreements. The companies say, however, that the sums are small by comparison with the scale of their total construction business.

Smaller companies owed money by Olympia & York are in a much more difficult position. Several of these could be at risk if payments are not forthcoming according to some contractors working at Canary Wharf.

Olympia & York, however, was a prompt payer and was thought to have been up-to-date with progress payments before the development went into administrative receivership.

Larger contractors, although concerned about money owed on Canary Wharf, are more worried about the possible loss of the Jubilee Line extension.

The government has said that the project will not go ahead unless any future owner of the development meets Olympia & York's commitment to provide £400m towards the cost of the extension. This would involve an initial tranche of £100m paid almost immediately with the remaining £300m paid over 20 to 25 years.

Canary Wharf administrators reassure tenants

By Vanessa Houlder, Property Correspondent

CANARY WHARF's administrators yesterday reassured tenants about their commitment to the development's upkeep and the river bus service, in the first of a series of meetings with the project's occupiers.

The administrators told Ogilvy & Mather, the advertising agency, that the river bus service would continue and the project would be maintained and kept secure. Nearly all Olympia & York's 218 estate management staff are continuing to work on the scheme.

Other tenant meetings this week will raise the question of whether rents on tenants' former premises, which were taken on by Olympia & York, will continue to be paid by the administrators.

KPMG Peat Marwick, the accountancy firm, which handed responsibility for the leases of 60,000 sq ft of their former premises to Olympia & York, will talk to the administrators today. Its training centre has moved into one of three floors, totalling 80,000 sq ft, in the Canary Wharf tower. The other two are not yet occupied.

Mr Bryan Gould, the shadow environment secretary, yesterday called on the government to publish the study which found that a move of civil servants to Docklands represented value for money.

In a letter to Mr Michael Howard, environment secretary, Mr Gould said: "If it [the study] is as convincing as you claim, I am sure that you will be happy to release it into the public domain."

This would be the first test of the government's promise of greater openness, he said.

Mr Gould also asked Mr Howard to clarify the inducements offered to civil servants to encourage them to move.

He believed Mr Howard told the House of Commons that the civil servants would be assisted wherever they lived, and arrangements would be put in place to minimise the effects of the move. This differed from the report in Hansard that the department's staff would receive staff relocation assistance when they moved to Docklands.

Avonmore expands onto the Continent

By Tim Coone in Dublin

AVONMORE FOODS, the Irish dairy and meat processing group, yesterday announced the acquisition of Harzland Fleisch Service, a German fresh meat sales and distribution business.

The purchase price is I£6m (£5.48m) cash. Harzland is located close to the former East German border and is Avonmore's first acquisition on the Continent.

Mr Pat O'Neill, managing director, described the move as "an important step in our strategy to develop a manufacturing presence in continental Europe. It provides Avonmore Foods with an important base in the strongest EC economy and the major European market for pigmeat".

Harzland's turnover in 1991 was I£56.5m with pre-tax profits of I£1.43m. Its disclosed net assets are I£1.32m.

Payment for Harzland is to be phased over two years. An additional I£1.59m may be paid in 1995, depending upon improved profitability targets being met up to December 1994, and 15 per cent of any profits in excess of those targets will be paid in addition, according to Mr Brendan Graham, group secretary.

Avonmore has grown rapidly through acquisition since it was established in 1988, turnover increasing from I£263m in 1987 to I£575m last year.

It recently moved into the red meat market with the acquisition of four meat processing plants in the west of Ireland.

The plants were formerly owned by United Meat Packers, which went into receivership earlier this year. The four UMP plants together process 10 per cent of Ireland's cattle kill and 25 per cent of its sheep kill.

Mr Graham said that the German acquisition "is a strategic investment as a base and bridgehead for further growth in Europe and will assist in the development of our exports".

Monarch seeks £19m to develop Venezuelan gold mine and mill

By Kenneth Gooding, Mining Correspondent

MONARCH RESOURCES, the London-quoted exploration and mining company, is to raise £19m net by way of a fully underwritten rights issue of convertible loan stock, mainly to develop a gold mine and mill at its La Camorra concession in Venezuela.

Mr Michael Beckett, chairman, said the average cash cost of producing gold at La Camorra would be about $115 a troy ounce, making it one of the world's lowest-cost gold mines.

He said exploration in the area would also be stepped up. Monarch will spend $3m (£1.6m) this year, up from $800,000 in 1991 and now has ten geologists on its staff, against three last year.

Monarch also announced yesterday that in 1991 it reduced pre-tax losses from $6.8m to $2.94m. The net loss was down from $41.8m, or $0.455 a share, to $2.94m, or $0.206 a share.

The non-interest bearing convertible unsecured loan stock will be issued at up to 68p per unit on the basis of two units for each ordinary share. Payment will be in two instalments, the first at 48p. Monarch's shares closed unchanged at 80p.

Mr Beckett said that a new feasibility study on La Camorra by independent consultants showed that for an estimated net capital outlay of $22.95m, at an assumed gold price of $350 a troy ounce, there was an indicated rate of return of 41.8 per cent.

Monarch would get its capital outlay back in 1.25 years from the start of production – projected to be in 1994. The mine would have a life of 4.35 years, with an annual output of 86,000 ounces of gold over the first four years.

Monarch's biggest shareholder, Mr August von Finck, a German businessman, has irrevocably agreed to take up his rights and to retain the stock until payment or cancellation of the second instalment in July next year.

Mr von Fink intends to maintain his shareholding at 23.8 per cent, although, if no other shareholders took up the issue it might temporarily rise to 44.8 per cent.

The balance of the issue has been underwritten by Leopold Joseph and Sons. Mr Carl von Rohrer, a Munich-based fund manager, is sub-underwriting the issue and Monarch will also issue 90,000 shares as a sub-underwriting fee.

Under these arrangements Mr von Rohrer and/or funds under his management will potentially own up to 29.9 per cent of the increased capital.

Mr von Rohrer and Mr von Finck have confirmed that they are not acting in concert with each other or any other Monarch shareholder. They have undertaken that, apart from the rights issue, neither will increase his interest above 29.9 per cent without making a general offer.

NEWS DIGEST

CML falls 11% on static sales

EXPECTATIONS at CML Microsystems that the second half would show a similar level of growth to that achieved during the opening six months were not fulfilled.

For the 12 months to March 31 profits of this USM-quoted manufacturer of electronic devices fell to £4.3m pre-tax, some 11 per cent down on the previous £4.85m. Sales were static at £14.3m.

First half profits grew by 11 per cent to £2.37m. Directors said the second half saw a sharp deterioration in markets served by the UK semi-conductor operation and that evidence of earlier customer over-stocking emerged.

However, to reflect confidence in its strength and growth prospects the dividend is lifted from 2.9p to 3.7p.

First Philippine net asset value rises

Net asset value per ordinary share of the First Philippine Investment Trust improved from 41.6p to 48.8p over the 12 months ending April 30.

Net revenue for the six months to end-April fell to £52,540 (£151,129), equal to earnings of 0.11p (0.3p). At April 30 the trust was 97.3 per cent invested in Philippine equities with just 2.7 per cent held as cash. Directors said the decline in earnings was a result of this position.

Fall in earnings at Turkey Trust

Net asset value per ordinary share of Turkey Trust stood at 155.12p at April 30. That compared with 183p basic and 187.2p fully diluted 12 months earlier and with 148.97p at end-October 1991.

Net revenue for the half year to end-April fell to £62,000 (£241,000) for earnings of 0.63p (2.46p) per share. That reflected a lower level of interest income earned from UK government stocks due to the trust being more fully invested in Turkish equities.

Feltrim Mining shares suspended

Feltrim Mining, traded on the Dublin Stock Exchange's Exploration Securities Market, had its shares suspended yesterday "to allow clarification of its financial position".

The group said a trade investor had expressed interest in its gold leaching process. It is also finalising a placing announced in March.

Further announcements would be made as soon as possible, Feltrim said.

Ricardo chief quits after pressure from directors

By Maggie Urry

MR ROGER Smedley has resigned as chairman and chief executive of Ricardo International, the engineering design group, after pressure from non-executive directors.

He will be receiving compensation, although the amount is yet to be negotiated.

The company stressed that Mr Smedley's departure did not reflect any worsening in group trading, which was satisfactory, although conditions were difficult.

Mr Christopher Ross, who joined the group in November 1990 and heads one of the main subsidiaries, will take over as chief executive. Sir Philip Foreman, a non-executive director for the past six years, is the new chairman. Mr Matthew Thorne, recruited in May 1991, remains as finance director.

Mr Ross and Mr Thorne said yesterday that there had been concern over Mr Smedley combining the two roles, and differences of view over the direction of the company had arisen.

Mr Smedley became executive chairman in 1990, when Ricardo merged with SAC International, the company which he co-founded in 1961. He was appointed chief executive in July last year, but the combination of the roles had not worked, Ricardo said. Rather than attempt to split the roles again a clean break was agreed.

Mr Smedley, 57, has a three-year contract at an annual £108,000. However, it is thought his compensation will be less than three times his salary.

The group now has two executive and two non-executive directors. Further appointments will be made in due course.

PUBLIC WORKS LOAN BOARD RATES

Effective June 3

Years	Quota loans* EIP†	A††	At maturity§
1			9⅞
Over 1 up to 2	9⅞	9⅞	9⅞
Over 2 up to 3	9⅞	9⅞	9⅝
Over 3 up to 4	9¾	9¾	9⅝
Over 4 up to 5	9⅝	9⅝	9⅝
Over 5 up to 6	9⅝	9⅝	9¾
Over 6 up to 7	9⅝	9⅝	9¾
Over 7 up to 8	9⅝	9⅝	9⅞
Over 8 up to 9	9⅝	9¾	9⅞
Over 9 up to 10	9¾	9¾	9⅞
Over 10 up to 15	9⅞	10	10
Over 15 up to 25	10	10	9⅞
Over 25	10	9⅞	9⅞

*Non-quota loans A are 1 per cent higher and non-quota loans B 2 per cent higher in each case than quota loans. †Equal instalments of principal. †† Repayment by half-yearly annuity (fixed equal half-yearly payments to include principal and interest). § With half-yearly payments of interest only.

Renewed rally lifts Brent crude above $21 a barrel

By Neil Buckley

NORTH SEA oil prices yesterday topped $21 a barrel for the first time in seven months, renewing the rally sparked by the decision of the Organisation of Petroleum Exporting Countries to leave output unchanged for the third quarter. Brent crude for July delivery gained 32¼ cents on the day to close at $21.12½, the highest price since November 18 last year.

Mr Peter Gignoux, head of the energy desk at Smith Barney in London, said: "We have covered most of the pent-up demand, and the market is tending higher. The price may have some way to go on the upside – it has moved faster and consolidated more quickly than I had expected."

He thought a price of $21.50 was possible in the short-term.

Brent crude has gained about $1.50 since before the Opec meeting in Vienna two weeks ago, on belief that supply and demand in the third quarter should be well balanced.

Saudi Arabia had widely signalled its intention before the meeting to press for a rise of 1m barrels a day in the output ceiling. However, the kingdom unexpectedly accepted a roll-over of the second quarter ceiling.

Traders attributed yesterday's price rise to a fall in US oil stocks, and political nervousness sparked by an unconfirmed local newspaper report of a build-up of Saudi troops on the border with Yemen. The two countries have a long-running dispute over oil-rich land around the border.

New York light crude prices were up 35 cents at $22.46 in morning trading.

The key question affecting oil prices in the longer term is whether Saudi Arabia's behaviour at the Opec meeting marked a fundamental shift in policy towards supporting a higher price, or was motivated by short-term desires to improve relations with Iran and send a warning signal to the European Community and the Earth Summit in Rio de Janeiro about Opec's opposition to a carbon tax.

CIS grain trade switch forecast

THE FORMER Soviet Union, which has supported the world grain market for 20 years with its huge purchases, could be transformed into a grain exporter by the turn of the century, trade experts believe, reports Reuter from Berlin.

For many grain traders meeting here at the annual congress of Coceral, the European Community cereals lobby, the question was not whether members of the Commonwealth of Independent States would achieve self-sufficiency, but when.

"By the year 2000 Russia could be independent of grain imports," predicted Mr Rudolf Stoehr, Coceral's president. Higher prices, falling demand and a new incentive to produce for the market would all contribute the shift, he said. And Ukraine and Kazahkstan – two key grain-producing republics – could be exporting well before then.

Mr Oleg Klimov, head of the Exportkhleb, grain agent for Russia and 12 other former Soviet republics, looked forward to the day when he would execute exports instead of imports.

"In five years' time we might well be an exporter," he said. "Look at Poland and Czechoslovakia. They were importers two years ago, now they are exporters. The same can happen in our country."

Mr Klimov said imports in the 1992-93 season, starting next month, would plunge to between 20m and 25m tonnes from 38m tonnes in 1991-92. The International Wheat Council recently predicted a more cautious figure of 27m tonnes.

But the trend is clear – and this time a bigger crop in 1992 is only part of the reason. Price liberalisation has triggered a structural change in grain consumption within the CIS.

In the past, huge subsidies meant bread cost only 50 per cent of the price of the wheat used to make it. So farmers fed whole loaves to their pigs.

Today rocketing prices have pushed many foodstuffs out of consumers' reach and consumption has crashed. "Consumption of grain for food and [animal] feed will decline significantly," Mr Stoehr said.

Higher prices should also give more incentive for action on the notorious waste problems. Nearly one third of the CIS grain crop is wasted, either eaten by pests or spoiled by rain while it lies on the ground waiting to be collected by trains and trucks.

Australia rejects curb on NZ shearers

By Kevin Brown in Sydney

AUSTRALIA MOVED quickly yesterday to defuse a potential row with New Zealand over the status of thousands of New Zealand sheep shearers whose presence has caused mounting tension in the wool industry.

Senator Gareth Evans, the foreign minister, said Canberra would resist growing demands for the imposition of work permits, which would undermine progress towards the integration of the New Zealand and Australian economies. He told Mr Don McKinnon, his New Zealand counterpart, that the government was determined to maintain freedom of travel and employment between the two countries, which has existed since the 1920s.

Reciprocal employment rights are not included in the Closer Economic Relations treaty between the two countries, which is designed to create bilateral free trade in goods and services. However, the Australian government is aware that any diminution of travel and employment rights would be resisted by New Zealand, and could damage further progress towards the creation of a joint economy.

The dispute blew up on Tuesday when the ruling Labor Party's backbench MPs and Senators called for restrictions on the freedom of New Zealand shearers to work in Australia. The call followed a report from Labor's backbench immigration committee recommending limits on settlement rights for New Zealanders, who now constitute one of Australia's largest immigrant communities.

Unease over New Zealand immigration has been simmering for some time following a big increase in settlement since the mid-1960s.

The Australian Workers' Union, which represents shearers, claims the New Zealanders undercut established wages by avoiding tax and failing to register with regulatory authorities. The union claims that about 42 per cent of the Australian wool clip is now shorn by New Zealanders, and that more than half of Australian shearers are out of work.

Officials say violence has already broken out in some of the remote rural communities where the shearing is carried out, and warn of more serious clashes unless New Zealand access is restricted.

Tea price fall baffles London traders

By David Blackwell

A FALL in the price of tea from a peak struck at the beginning of May is baffling tea traders, who say that the effect of the droughts that have hit production around the world has worsened.

Quality tea fetched 155p a kilogram at this week's London auction, compared with 180p early last month and 150p at the beginning of the year. Traders, who were convinced that a sellers' market was emerging, say that prices have gone off the boil in other world markets.

About 60,000 tonnes of production has been lost in the first quarter because of droughts in Africa, southern India and Sri Lanka. Many areas are are past their peak growing periods, so that the lost output is irreplaceable.

World supply and demand has been roughly in balance at 2.5m tonnes, according to Mr Illtyd Lewis, executive director of the UK Tea Council. Now traders are estimating a 25,000 tonne deficit at the end of the year. "That's not a lot, but in the context of a finely balanced market it's quite interesting, he said.

Stocks in consuming countries are low. In the UK basic stocks are down to about 30m kgs from last year's 34.4m kgs, itself considered to be a low level.

The wild card remains the CIS. Traders believe the Russians are in the market for tea, but believe they are having problems arranging finance for their trade with India.

Mr Lewis said the market would remain tense until the size of the north Indian crop is known in a few weeks' time. "The market could be very volatile if a big buyer like the CIS comes back in," he added. "Everything is very tight – there is no give in the market."

● The UK was last year once again the single biggest importer of tea, having been displaced in 1989 and 1990 by the former Soviet Union following the nuclear accident at Chernobyl, which affected local tea crops. The UK imported 178,000 tonnes, of which 32,000 tonnes were re-exported, according to the annual report of the Tea Council, published yesterday.

Tea remains the most popular drink in Britain, with 80 per cent of the population drinking it daily compared with coffee's 56.6 per cent. Average consumption was 3.56 cups a day last year, compared with 1.68 cups of coffee.

Anglo still biggest mining company

By Kenneth Gooding, Mining Correspondent

ANGLO AMERICAN Corporation of South Africa is by far the largest mining company outside the former Communist countries, according to a study released today by the Raw Materials Group, the Swedish consultancy organisation. Anglo controlled nearly 9 per cent by value of the western world's 1990 production of non-fuel minerals compared with the 4.2 per cent of its nearest rival, RTZ Corporation of the UK.

RMG's list of the top 50 mining companies is slightly subjective in that the organisation uses unconventional methods to assess whether one corporation is controlled by another.

For example, although De Beers is quoted separately from Anglo American, RMG's method suggests it is controlled by Anglo. Many observers would concur in this particular case, given the very tight links between the two South African companies, which are widely assumed to be ultimately controlled by the Oppenheimer family.

"Control can be exercised by many means of which ownership is the most common and important one. But ownership is not the only way of exercising control," say Mr Magnus Ericsson and Mr Andreas Tegen, authors of the study. "We look at ownership and management to determine who is in control of a specific company."

Top Western World Mining Companies in 1990
Ranked by approximate share of total value of production of non-fuel minerals

Controlling company or state	country	% share of total	Controlling company or state	country	% share of total
Anglo American	South Africa	8.5	State of India	India	0.8
RTZ	UK	4.2	Beslow Rand	South Africa	0.8
State of Chile	Chile	3.0	State of Zambia	Zambia	0.8
State of Brazil	Brazil	2.6	Int. Minerals & Chems.	US	0.7
Brascan/Noranda	Canada	1.8	Metallgesellschaft	Germany	0.7
Inco	Canada	1.8	Rembrandt Group	South Africa	0.7
Broken Hill Pty	Australia	1.5	Anglovaal	South Africa	0.7
State of Zaire	Zaire	1.5	State of Yugoslavia	Yugoslavia	0.7
Phelps Dodge	US	1.4	State of France	France	0.6
Hanson	UK	1.4	State of Peru	Peru	0.6
Gencor	South Africa	1.3	North Broken Hill Peko	Australia	0.6
Asarco	US	1.3	Amax	US	0.6
Western Mining	Australia	1.2	Grupo Industrial Minera	Mexico	0.6
MIM Holdings	Australia	1.2	Magma Copper	US	0.5
Placer Dome	Canada	1.0	Homestake Mining	US	0.5
State of Morocco	Morocco	1.0	Lac Minerals	Canada	0.5
Trelleborg	Sweden	1.0	Auxiliar de Empresas	Brazil	0.5
State of Malaysia	Malaysia	1.0	Outokumpu	Finland	0.5
Cyprus Minerals	US	0.9	Iscor	South Africa	0.5
Freeport McMoRan	US	0.8	State of Botswana	Botswana	0.5

Source: Who Owns Who in Mining 1992

Apart from the inclusion of De Beers, Anglo is also helped to its top spot by being the dominant producer of two high-value products: gold and diamonds.

RMG says that, although Anglo by their measurement has been the world's biggest mining company since the mid-1980s, its relative strength has been declining, mainly because of the fall in South Africa's gold production. In 1984 Anglo controlled nearly 16 per cent of western world non-fuel minerals production, twice the 1990 percentage.

In contrast, since 1984 RTZ has increased its share of production from 3.5 per cent. RTZ was formed only 30 years ago and its recent progress was speeded considerably by the $4bn acquisition of most of British Petroleum's non-fuel minerals and mining assets in 1989.

State-owned companies are still important in the mining and metals industries. Among those in RMG's top 50 are Outokumpu of Finland; Codelco of Chile; BRGM and Pechiney of France; the Malaysian Mining Corporation; Brazil's CVRD and Sweden's LKAB. The revival of US companies is also evident from the statistics. In 1984 the US companies accounted for only 10 per cent of production by the 50 largest mining groups but by 1990 this was up to 13 per cent. The authors point out, however, that the US groups still have some way to go to recover to the 20 per cent they controlled in 1975.

Only one Japanese company appears in the RMG top 50 – Mitsui at 49.

The main thrust of the study is to keep track of the ownership, control, percentage shareholdings, joint ventures, subsidiaries and affiliations in the mining and metals industry.

Who Owns Who in Mining 1992, by the Raw Materials Group £125 or US$275 from Roskill Information Services, 2 Clapham Road, London SW9 0JA.

Recession cuts deeply into earnings

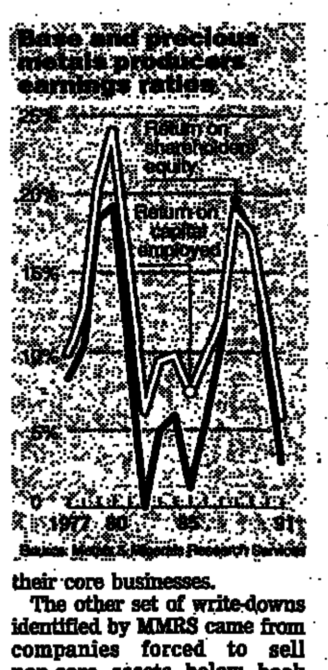
By Kenneth Gooding

AN ANALYSIS of the 1991 financial results of 180 large base and precious metals producers world-wide shows severe damage was caused by the recession in most industrialised countries and the consequent fall in metals prices.

There was also a sharp rise in extraordinary losses and write-downs arising from mistakes metals companies made during the boom in the late 1980s, according to the latest financial review from the Metals & Minerals Research Services consultancy organisation.

Pre-tax extraordinary losses of the companies sampled reached a record US$2.41bn, equivalent to 22 per cent of 1991 operating profits.

MMRS says pre and after-tax extraordinary write-downs were commonplace among metals producers. It suggests these were necessary because some companies either paid too much for assets or acquired assets with little connection to their core businesses.



The other set of write-downs identified by MMRS came from companies forced to sell non-core assets below book prices simply to stay in business.

Drawing on its computerised financial data, MMRS says that the aggregate turnover of the 180 metals companies fell last year by only 3.2 per cent from the 1990 level to $166bn. Given that base metals prices fell on average by 18 per cent last year and gold prices were 6 per cent lower, MMRS believes "this was quite a creditable result".

However, this fall in revenue removed one quarter of 1990's operating profits and operating costs, up 2.9 per cent, took away another 21 per cent.

Pre-tax profits fell by nearly two-thirds to $6.54bn after the write-downs and a 7.5 per cent rise in net interest payments. The pre-tax result was 75 per cent below the 1989 peak.

After-tax profits fared even worse and at $3.44bn were 70 per cent below those for 1990 and little more than 20 per cent of those for 1989.

After-tax write downs, a record $1.3bn, left net earnings of $1.71bn.

Operating profit margins across MMRS's sample of companies averaged 6.6 per cent last year compared with a recent peak of 18.2 per cent in 1988 and a healthy 17.1 per cent in 1989. Margins were well below the 10.3 per cent recorded in 1986 in the depths of the previous recession.

Pre-tax profit margins were 3.9 per cent compared with 1988's peak 17.5 per cent. Return on capital employed was only 5.7 per cent, the lowest MMRS has recorded since it started collecting the data 16 years ago. In 1988 the return was 18.5 per cent.

Return on shareholders' funds was only 1.8 per cent but better than that achieved in 1985. The 1988 peak was 19.2 per cent.

MMRS suggests that producers can draw some comfort from the fact that aggregate gearing (debt as a percentage of issued capital) in 1991 rose by less than 2 percentage points. However, the level of 41.4 per cent was "still uncomfortably high and a level exceeded only on four occasions since 1976".

World Minerals Industry Financial Review, £750 from MMRS, 2-4 Henry Street, Bath, Avon BA1 1JT, England.

WORLD COMMODITIES PRICES

MARKET REPORT

GOLD moved above $340 a troy ounce briefly on the London bullion market before producer selling abruptly halted the short covering rally. **PLATINUM** futures were lower on Nymex at midday as profit taking emerged after Tuesday's steep rise. Analysts said July platinum would consolidate recent gains and try for around $384. They cited continued concerns over the availability of physical supply, particularly in Europe – the EC has set the end of this year as the deadline for new model cars to have catalytic converters. The London's robusta **COFFEE** futures clawed back earlier losses of up to $20 a tonne. Dealers attributed the recovery to sentiment that Tuesday's sell-off in New York might have been overdone. **ZINC** prices fell on the LME, although the premium for cash metal remains high at $150.50 a tonne. The market remains nervous, with fundamentals pointing to a lower price but traders fearing the technical squeeze on June supplies could be repeated in July, where there is already a large call option open position between $1,300 and $1,400. **TIN** staged a downward reaction to recent gains after the three-month price failed to move above resistance at $6,500.

Compiled from Reuters

London Markets

SPOT MARKETS

Crude oil (per barrel FOB)		+ or -
Dubai	$18.85-8.95y	+0.30
Brent Blend (dated)	$21.15-1.25	+.325
Brent Blend (Jul)	$21.10-1.15	+.325
W.T.I (1 pm est)	$22.45-2.50y	+0.40
Oil products (NWE prompt delivery per tonne CIF)		**+ or -**
Premium Gasoline	$235-237	+3
Gas Oil	$188-189	+4
Heavy Fuel Oil	$85-87	+1
Naphtha	$195-197	+4
Petroleum Argus Estimates.		
Other		**+ or -**
Gold (per troy oz)♣	$339.50	+0.75
Silver (per troy oz)♣	409c	+1
Platinum (per troy oz)	$376.25	+2.25
Palladium (per troy oz)	$90.10	-0.15
Copper (US Producer)	106.65c	+0.01
Lead (US Producer)	37.0c	
Tin (Kuala Lumpur market)	15.39r	+0.09
Tin (New York)	298.0c	-1.5
Zinc (US Prime Western)	62.0c	
Cattle (live weight)†	108.08p	-0.44*
Sheep (live weight)†♠	92.44p	+10.2*
Pigs (live weight)†	91.39p	+2.48*
London daily sugar (raw)	$247.5t	+3.0
London daily sugar (white)	$294.0t	+1.0
Tate and Lyle export price	£244.5	+2.0
Barley (English feed)	Unq	
Maize (US No. 3 yellow)	£149	+1.5
Wheat (US Dark Northern)	Unq	
Rubber (Jul)♥	52.75p	+0.25
Rubber (Aug)♥	52.75p	+0.25
Rubber (KL RSS No 1 Jun)	219.5r	+1.0
Coconut oil (Philippines)§	$595.0t	-10
Palm Oil (Malaysian)§	$387.5y	+2.5
Copra (Philippines)§	$395	-5
Soyabeans (US)	£150.0z	+2.0
Cotton "A" index	62.10c	-0.80
Wooltops (64s Super)	424p	

£ a tonne unless otherwise stated. p-pence/kg. c-cents/lb. r-ringgit/kg. t-Jun/Jul y-July w-Apr z-Jun. q-May. †Meat Commission average fatstock prices. * change from a week ago ♥London physical. §CIF Rotterdam. ♣ Bullion market close. m-Malaysian cents/kg. ♠Sheep prices are now live weight prices.

SUGAR – London FOX ($ per tonne)

Raw	Close	Previous	High/Low
Aug	222.80	220.20	224.40 219.40
Oct	211.00	208.20	210.40 208.00
Dec	200.00	200.00	197.00
White	**Close**	**Previous**	**High/Low**
Aug	289.80	285.00	290.00 284.70
Oct	270.60	269.00	271.00 268.00
Dec	268.00	269.00	268.50 267.00
Mar	273.10	272.70	273.50 271.50
May	276.60		276.60 276.00
Aug	280.60		281.60 281.00

Turnover: Raw 168 (159) lots of 50 tonnes. White 2171 (1175)
Paris- White (FFr per tonne): Aug 1591.20 Oct 1486.13

CRUDE OIL – IPE $/barrel

	Close	Previous	High/Low
Jul	21.07	20.82	21.21 20.90
Aug	20.96	20.73	21.09 20.80
Sep	20.85	20.67	20.97 20.75
Oct	20.75	20.59	20.85 20.76
Nov	20.67	20.47	20.72 20.68
Dec	20.61	20.45	20.64 20.60
IPE Index	20.75	20.65	

Turnover 32475 (19655)

GAS OIL – IPE $/tonne

	Close	Previous	High/Low
Jun	187.50	184.25	187.75 184.75
Jul	188.25	184.50	188.50 185.25
Aug	190.00	186.75	190.00 187.25
Sep	191.75	188.50	192.00 190.25
Oct	193.75	191.25	193.75 192.00
Nov	195.50	192.50	195.75 194.25
Dec	196.75	194.00	197.00 196.25

Turnover 10843 (12158)lots of 100 tonnes

WOOL
THE WOOL market is approaching its dull between-season period and prices are showing no pronounced trend in either direction. From a trading point of view this persuades buyers to postpone action for as long as they can, making it difficult for margins to be maintained. The cheaper forward seller gets whatever business is going and the amount of hand-to-mouth buying is limited. The Australian Wool Corporation's overall market indicator has shown very small changes, with particular buying orders having a distorting effect in individual categories. At 553c/kg on June 3 it was unchanged on the week.

COCOA – London FOX £/tonne

	Close	Previous	High/Low
Jul	546	544	548 540
Sep	568	568	570 563
Dec	603	602	605 597
Mar	632	633	635 626
May	663	653	655 646
Jul	673	673	673 670
Sep	693	693	693 690
Dec	720		716 716
Mar	747		743 743

Turnover: 5426 (3903) lots of 10 tonnes
ICCO indicator prices (SDRs per tonne). Daily price for Jun 2 691.08 (691.84) 10 day average for Jun 3 699.06 (702.40)

COFFEE – London FOX $/tonne

	Close	Previous	High/Low
Jul	710	715	708 695
Sep	730	735	729 717
Nov	751	755	750 741
Jan	769	770	767 757
Mar	785	789	785 780
May	798	801	795

Turnover:1946 (1226) lots of 5 tonnes
ICO indicator prices (US cents per pound) for Jun 2: Comp. daily 48.93 (49.84) 15 day average 50.06 (49.99)

POTATOES – London FOX £/tonne

	Close	Previous	High/Low
Apr	92.0	92.5	92.0 91.0

Turnover 127 (105) lots of 20 tonnes.

SOYAMEAL – London FOX £/tonne

	Close	Previous	High/Low
Jun	128.00	127.00	128.00
Aug	126.00	125.00	125.50 125.00
Oct	130.00	129.50	130.00 129.50

Turnover 318 (600)lots of 20 tonnes.

FREIGHT – London FOX $10/index point

	Close	Previous	High/Low
Jun	1121	1134	1130 1110
Jul	1040	1063	1051 1040
Aug	1055	1090	1055
Oct	1160	1194	1190 1160
Jan	1210	1223	1210
BFI	1249	1256	1249

Turnover 431 (344)

GRAINS – London FOX £/tonne

Wheat	Close	Previous	High/Low
Jun	124.10	123.20	124.60 124.00
Sep	110.15	109.85	110.20 109.85
Nov	113.40	113.25	113.40 113.25
Jan	117.05	116.90	117.10 117.05
Mar	120.10		120.10 120.00
Jun	124.65		124.65 124.50
Barley	**Close**	**Previous**	**High/Low**
Sep	107.20	106.85	107.20 106.85
Nov	111.10		111.10 110.80
Jan	114.30		114.30 114.25
Mar	117.00		117.10

Turnover: Wheat 177 (73) , Barley 32 (0).
Turnover lots of 100 Tonnes.

PIGS – London FOX (Cash Settlement) p/kg

	Close	Previous	High/Low
Jun	119.0	119.0	118.5 118.0
Jul	111.0	110.8	110.5 110.0

Turnover5 (36) lots of 3,250 kg

LONDON METAL EXCHANGE (Prices supplied by Amalgamated Metal Trading)

	Close	Previous	High/Low	AM Official	Kerb close	Open Interest
Aluminium, 99.7% purity ($ per tonne)						**Total daily turnover 21,024 lots**
Cash	1309-10	1309-10		1306-6.5		
3 months	1335-6	1335-6	1338/1332	1331.5-2	1335.5-6	158,985 lots
Copper, Grade A (£ per tonne)						**Total daily turnover 18,427 lots**
Cash	1230-1	1226-6		1229.5-30		
3 months	1258-8.5	1252-4	1259/1254	1258-9	1257-8	102,117 lots
Lead (£ per tonne)						**Total daily turnover 5,581 lots**
Cash	295.5-6.5	292-4	295	294.5-5		
3 months	307-8	304-6	308/308	305.5-6	306-7	16,795 lots
Nickel ($ per tonne)						**Total daily turnover 3,539 lots**
Cash	7345-55	7345-50		7370-5		
3 months	7440-5	7435-40	7470/7430	7455-60	7430-1	21,926 lots
Tin ($ per tonne)						**Total daily turnover 2,087 lots**
Cash	6400-5	6415-25		6410-20		
3 months	6440-5	6460-5	6500/6410	6450-5	6410-20	8,734 lots
Zinc, Special High Grade ($ per tonne)						**Total daily turnover 24,927 lots**
Cash	1409-11	1455-60	1408	1407-8		
3 months	1259-60	1275-6	1275/1242	1261-2	1247-8	56,916 lots

LME Closing £/$ rate:
SPOT: 1.8165 | 3 months: 1.7907 | 6 months: 1.7643 | 9 months: 1.7452

LONDON BULLION MARKET (Prices supplied by N M Rothschild)

Gold (fine oz)	$ price	£ equivalent
Close	339.30-339.70	
Opening	338.80-339.20	
Morning fix	339.85	186.828
Afternoon fix	339.90	187.015
Day's high	340.60-340.90	
Day's low	338.70-339.00	

Loco Ldn Mean Gold Lending Rates (Vs US$)

1 month	3.44	6 months	3.42
2 months	3.43	12 months	3.56
3 months	3.43		

Silver fix	p/fine oz	US cts equiv
Spot	224.70	408.95
3 months	230.40	413.00
6 months	235.75	417.15
12 months	246.80	427.70

GOLD COINS (Prices supplied by Engelhard Metals)

	$ price	£ equivalent
Krugerrand	340.00-341.00	187.00-187.50
Maple leaf	351.00-352.00	193.00-193.50
New Sovereign	82.00-83.00	45.10-45.60

TRADED OPTIONS

Aluminium (99.7%)	Calls		Puts	
Strike price $ tonne	Jul	Sep	Jul	Sep
1200	129	142	3	3
1300	34	64	10	22
1400	3	18	77	77
Copper (Grade A)	**Calls**		**Puts**	
2100	149	168	3	3
2200	64	72	4	18
2300	4	22	54	66
Coffee	**Jul**	**Sep**	**Jul**	**Sep**
650	61	86	1	6
700	20	49	10	19
750	3	24	43	44
Cocoa	**Jul**	**Sep**	**Jul**	**Sep**
525	24	51	3	8
550	9	34	13	16
575	2	21	31	28
Brent Crude	**Jul**	**Aug**	**Jul**	**Aug**
2000	115	119	3	22
2050	73		8	38
2100	35	67	23	57

New York

GOLD 100 troy oz.; $/troy oz.

	Close	Previous	High/Low	
Jun	338.7	339.3	340.8	338.6
Jul	339.6	340.2	0	0
Aug	340.6	341.2	342.9	340.5
Oct	342.5	343.1	344.3	342.9
Dec	344.6	345.2	346.9	344.4
Feb	346.9	347.5	0	0
Apr	349.2	349.8	351.0	351.0
Jun	351.7	352.3	0	0
Aug	354.4	355.0	0	0

PLATINUM 50 troy oz; $/troy oz.

	Close	Previous	High/Low	
Jul	375.0	377.2	378.5	373.5
Oct	379.2	381.5	382.5	378.0
Jan	378.3	381.0	379.5	377.5
Apr	378.1	381.2	381.0	380.2

SILVER 5,000 troy oz; cents/troy oz.

	Close	Previous	High/Low	
Jun	405.8	407.4	0	0
Jul	406.8	408.3	411.5	406.5
Aug	408.6	410.1	0	0
Sep	409.9	411.4	414.0	409.5
Dec	414.7	416.1	419.0	414.5
Jan	416.4	417.8	0	0
Mar	420.0	421.4	422.5	422.0
May	423.7	425.1	0	0
Jul	427.4	428.8	432.0	430.0
Sep	431.7	433.1	0	0

HIGH GRADE COPPER 25,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jun	102.05	102.35	102.35	101.95
Jul	102.10	102.35	102.60	102.05
Aug	102.15	102.30	0	0
Sep	102.10	102.20	102.40	102.00
Oct	102.10	102.20	0	0
Nov	102.15	102.20	0	0
Dec	102.15	102.20	102.50	102.00
Jan	102.00	102.00	0	0
Feb	101.85	101.80	0	0
Mar	101.70	101.70	101.80	101.70

CRUDE OIL (Light) 42,000 US galls $/barrel

	Close	Previous	High/Low	
Jul	22.43	22.11	22.57	22.35
Aug	22.37	22.12	22.50	22.34
Sep	22.28	22.07	22.38	22.25
Oct	22.18	22.00	22.29	22.15
Nov	22.06	21.89	22.18	22.05
Dec	21.94	21.79	22.05	21.96
Jan	21.81	21.68	21.90	21.82
Feb	21.68	21.57	21.75	21.70
Mar	21.55	21.46	21.59	21.52
Apr	21.42	21.35	21.52	21.42

HEATING OIL 42,000 US galls, cents/US galls

	Close	Previous	High/Low	
Jul	6061	6036	6146	6075
Aug	6130	6078	6180	6125
Sep	6241	6195	6280	6235
Oct	6334	6288	6375	6350
Nov	6427	6378	6465	6425
Dec	6509	6458	6560	6490
Jan	6524	6473	6580	6545
Feb	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
Apr	[illegible]	[illegible]	[illegible]	[illegible]

COCOA 10 tonnes;$/tonnes

	Close	Previous	High/Low	
Jul	861	867	872	857
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]

COFFEE "C" 37,500lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]

SUGAR WORLD "11" 112,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

COTTON 50,000; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]
Dec	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Oct	[illegible]	[illegible]	[illegible]	[illegible]

ORANGE JUICE 15,000 lbs; cents/lbs

	Close	Previous	High/Low	
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]
Jan	[illegible]	[illegible]	[illegible]	[illegible]
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]
Sep	[illegible]	[illegible]	[illegible]	[illegible]
Nov	[illegible]	[illegible]	[illegible]	[illegible]

INDICES

REUTERS (Base: September 18 1931 = 100)
[illegible]

DOW JONES (Base: Dec. 31 1974 = 100)
[illegible]

Chicago

SOYABEANS 5,000 bu min; cents/60lb bushel

	Close	Previous	High/Low	
Jul	621/4	630/0	628/0	620/0
Aug	626/6	633/0	631/4	624/0
Sep	630/2	637/6	636/0	629/0
Nov	637/2	643/2	642/2	634/0
Jan	645/2	649/6	649/4	641/4
Mar	[illegible]	[illegible]	[illegible]	[illegible]
May	[illegible]	[illegible]	[illegible]	[illegible]
Jul	[illegible]	[illegible]	[illegible]	[illegible]

SOYABEAN OIL 60,000 lbs; cents/lb

[illegible]

SOYABEAN MEAL 100 tons; $/ton

[illegible]

MAIZE 5,000 bu min; cents/56lb bushel

[illegible]

WHEAT 5,000 bu min; cents/60lb-bushel

[illegible]

LIVE CATTLE 40,000 lbs; cents/lbs

[illegible]

LIVE HOGS 30,000 lb; cents/lbs

[illegible]

PORK BELLIES 40,000 lbs; cents/lb

[illegible]

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FINANCIAL TIMES SURVEY

GWENT

Thursday June 4 1992

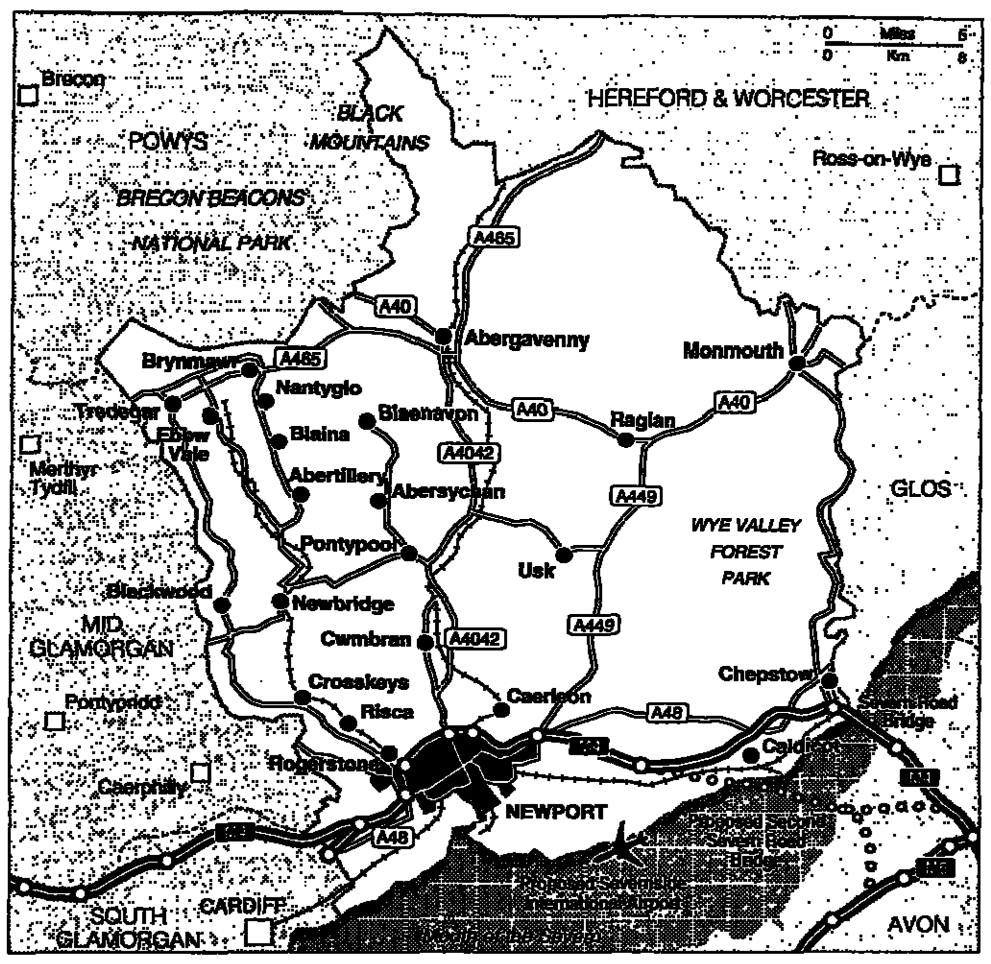
□ Newport's regeneration plans: a significant milestone is passed Page 2

□ Celtic Lakes: "the most exciting science park to be built in Britain" Page 4

New investment has brought high-technology industries and new skills to the county and helped to reshape its industrial base, writes Anthony Moreton. Progress has taken place along the M4 corridor, but infrastructure development is still needed further north

From pits to science parks

Trico-Folberth's Pontypool factory will employ 550 when it moves in the autumn from Middlesex



GWENT IS a curious mixture of the affluent and the not-so-affluent. Parts of the county around Monmouth, Usk and Abergavenny, which have acquired the popular title of the golden triangle, have the highest average income in Wales. Other parts, such as the borough of Torfaen above Newport, have among the lowest.

Unemployment in a county that once had some of the heaviest industry in Britain is not unusually high, though. The county's average of 11.6 per cent is only slightly above that for Wales. Even Blaenau Gwent, at the top of the valleys, has only 13.8 per cent.

Yet there is still a perception, especially in the south-east of England, that Gwent is a place of dereliction and smoking chimneys. "Our image is one of the major problems to be overcome," says Mr John Pembridge, chairman of the county's planning and economic development committee.

"People think we are all about coal and steel: we're not. The only pit left is a museum and the remaining steelworks are places of high technology, run by banks of computers.

"The garden festival at Ebbw Vale, which is open until early October, has been a marvellous opportunity for us to show people what the valleys are really like. Once they see how green and pleasant they are, we go right to the front of the queue as a desirable location."

Mr Graham Moore, the Welsh Development Agency's property director, agrees. "A feeling of confidence is coming back," he says. "The property market is beginning to be more active, with developers starting to turn their plans into more tangible form."

Mr Bernard Assinder, leader of Blaenau Gwent borough council, points to a 60 per cent increase in lettings in the borough in the first quarter of this year compared with the last three months of 1991.

But not everyone is so optimistic. Mr Bruce Woodhead, managing director of London and Cardiff Properties, which is participating in a 170-acre development, Celtic Lakes, at Newport that will include a science park, warns that getting new tenants is still a hard grind. "People who have been mulling over a new investment for some time are prepared to go ahead," he says. "But it is difficult to win new decisions."

Difficult — but not impossible. Gwent has won a lot of new investment in the past year, which has helped to change the face of the county. Perhaps the most important was the decision by Trico-Folberth, one of the leading manufacturers of windscreen wipers for the motor industry, to relocate from West London to Pontypool, creating more than 500 jobs. Also significant was the arrival of Northern Telecom at Cwmcarn which is to increase its workforce from 600 to around 900.

At Crumlin, Integra Plasma, a semi-conductor manufacturer, is expanding, as is A. Schulman, an American concern, which is spending £2.1m to increase output of plastic compounds and resins.

Tillery Valley Foods is to invest £2m in expanding production of pre-cooked meals at Abertillery. Festive Productions is also to spend £2m to produce more Christmas decorations at Newport.

These companies, and others like them, are the new Gwent. The county that was a base for heavy industry is now home to the industries of the late 20th century. Electronics and information technology, financial services, motor industry parts and food processing have replaced the belching smokestack industries of the past.

Fifteen years ago, almost 40 per cent of the workforce was in mining or manufacturing; by 1989, the last year for which figures are available, the number was down to a third. Those employed in distribution and hotels had risen from 14.9 to 18 per cent in the same period and banking and finance had leapt from 2.6 to 7 per cent with the arrival of TSB Trust, the Patent Office and the Business Statistics Office. Financial services have been a major growth sector.

On the industrial side, AB Electronics, the electronics concern, is one of the larger representatives of the new Gwent. "We have designated our Rogerstone factory, near Newport, as the flagship plant in a new drive to attack the fast-growing market for electronic products in Europe," says Mr Paul Ryder, the managing director.

"Rogerstone, which employs over 800 people and has some of the largest and most modern electronic assembly lines in Europe, will form the hub of a cluster of AB plants in the UK and on the Continent."

AB Electronics is not alone in the field. Incomers in recent years have included the Japanese company Star Micronics at Tredegar, Nimbus Records at Cwmbran, Newbridge Networks, a Canadian company, which is about to expand to a second site, at Newport and Yuasa Battery and Aiwa, two Japanese concerns, at Ebbw Vale and Crumlin respectively.

The financial services sector will get a massive shot in the arm with the completion of property developments now being undertaken in and around Newport, using the M4 motorway as a corridor. The star will be the creation of a science park, Imperial Park, managed by and using the back-up of London University's Imperial College.

The science park is part of a larger development, Celtic Lakes, which will provide around 2m sq ft of prime space. Imperial House, the core building is almost ready for occupation as an innovation centre and the science park as a whole is being seen as a marvellous opportunity to develop the potential, and create a new image not just for Gwent but also for the whole of Wales.

Across the road from Celtic Lakes, Gwent County Council, in conjunction with the Welsh Development Agency, is extending its technology park that is already home to AB Electronics' R&D centre.

With the opening of a second Severn crossing, costing £270m and scheduled for 1996, the M4 corridor in southern Gwent will be seen as a prime attraction according to Mr Andrew Fretter, the county's head of economic development. "The county is already one of the most dynamic parts of the UK in growth terms," he says. "It has consistently demonstrated this by having the highest rate of VAT-registered company formations outside the south-east of England.

"Although we have had a difficult year, like the rest of Britain, and we have had to deal with more problems among businesses than ever before, there is evidence that we are emerging from that troublesome period.

"Trico was a great shot in the arm but there are others coming and with the science park we should become an international centre for research and development."

The problem for Gwent is to encourage new investment to move up the valleys from the M4 corridor. It is not easy but it can be done. "Ten years ago, when we began work on the Rassau industrial park above Ebbw Vale and Tredegar," says Mr David Fallowell, the WDA's executive director, "people thought we would never be successful. But 3,000 people are now employed on that estate, as well as a large number at another at nearby Tafarnaubach."

Both Mr Fretter and Mr Fallowell believe the garden festival will act as a catalyst to draw people north. "Communications are excellent at the top of the valleys," Mr Fretter says. "The A465 Heads of the Valleys road, which is to be upgraded, offers a good, quick route to the West Midlands. But it is all about image. And this is why the festival is so important.

"Everyone who comes to Ebbw Vale remarks on the site and its potential. The tops of the valleys are our most depressed areas. New jobs and new homes there will make an enormous impact."

To help not just this area but the whole of the county, Gwent has adopted a strategy which puts a premium on partnerships, not just with other public sector bodies but also with the private sector, training initiatives and improvements to the infrastructure. It has set up an image partnership and a business forum and has even backed a private-sector plan for an international airport.

With Avon County Council, on the eastern end of the Severn Bridge, anxious to constrain further economic development, Gwent is in a fortunate position, especially when the second Severn bridge is open, to capitalise on the need for industry to find acceptable new homes along the M4. The restructuring and diversification of the past 10 years, which have created a stronger economy, look set to reap ample dividends.

Robin Reeves looks at the town's regeneration plans

A milestone for Newport

NEWPORT recently passed a small but significant milestone in its economic fortunes. For the first time in living memory, the town's level of unemployment registered below the national average.

The current unemployment rate in Newport is 9.4 per cent, compared with an average of 9.5 per cent for Britain as a whole. This performance is all the more surprising in view of recent setbacks suffered by companies which in the early 1980s were hailed as the key to Newport's future prosperity.

The most spectacular example is Inmos, which went to Newport in 1980 amid a blaze of publicity. With substantial government financial backing (it was said to be Britain's last chance to establish a stake in the international semi-conductor business), the company built a state-of-the-art microchip manufacturing plant to take on the rest of the world. Politicians and economists alike insisted this would be the kind of sunrise industry that brought secure, well-paid jobs to Newport, replacing those being lost in traditional industries, such as steel and coal.

But it has not worked out that way. At its peak, Inmos employed some 1,100 on two sites in the town. But, with the onset of the recession and the sale of Inmos by its parent company, Thorn-EMI to the French Thomson electronics group, the company's fortunes have plummeted. The workforce is now down to 450 and there is talk of the remaining plant closing outright unless Thomson finds a purchaser.

Other companies which expanded in Newport in the 1980s, but which have more recently had to make lay-offs of workers include AB Electronic Products and Marconi; though the latter cutback is due more perhaps to the ending of the cold war than the recession. Another 1980s incomer, TSB's insurance division, while it employs 450 and has not suffered cutbacks, no longer talks of creating 2,000 jobs – as it promised initially.

On the other hand, the Patents Office, a recent government agency relocation from central London, has given a significant boost to white-collar employment. The number of staff has built up to 1,000 in a year. There are also two major plants under construction. Northern Telecom is relocating part of the former STC defence systems production operation in Newport to a new site at Queensway Meadows, a move which is being interpreted as a strong vote of confidence in Newport by STC's new owner. The same is true of Bisley Office Equipment, which arrived from Surrey three years ago, bringing 100 jobs, and has now embarked on a second phase of expansion, creating a further 60 jobs.

Hopes are also high that new scientific business projects will quickly be attracted to Celtic Lakes, Wales's most significant science park-style development to date, which lies on Newport's western outskirts. Some 50 acres of the 200-acre development, a joint venture between the council, the Welsh Development Agency, Trencherwood Commercial and the Bassaleg Group, has already been earmarked for R&D business activities "spun out" from Imperial College, London.

The WDA is just putting the finishing touches to Imperial House, an advanced communications unit on the Celtic Lakes site with direct links to London and plans to launch an international marketing campaign very shortly. But in the meantime – and somewhat ironically in view of what was being said a decade ago – it is steel production and fabrication, and ancillary steel activities which are proving to be among Newport's most stable employment sectors during the current recession.

In 1980-82 thousands of jobs disappeared in the steel industry and there was even talk of the Llanwern steelworks closing altogether. Yet in spite of the massive shake-out at that time, the key role of steel and aluminium production in the local economy – Alcan also has a major European rolling facility at nearby Rogerstone – has not been eclipsed. Metal manufacturing activities still employ some 7,000 people or 13 per cent of the Newport workforce, compared with an average of 3.2 per cent occupied in this sector in the economy as a whole.

Llanwern now has a reputation for being one of the best steel plants in the world. Managed by British Steel in tandem with Port Talbot, its productivity and operating efficiency will probably be enhanced even further by the closure of Ravenscraig since the doomed Scottish plant's orders can be switched to Wales.

The precinct outside the Kingsway shopping centre in Newport

Another sign of the times in steel is a recent merger between British Steel's Orb works and SSAB, Sweden's state-owned steel producer, to create a £100m company, European Electrical Steel, specialising in magnetic steels for transformers and electrical motors. The new company is headquartered in Newport.

For all the brighter spots in the local economy, Mr Brian Dunford of Newport Borough Council's economic development team stresses there is no sense of complacency. It remains the case that a high proportion of the employment growth over the past decade has been in female, part-time jobs whereas those being created have tended to be relatively well-paid unskilled male jobs. This in turn has given rise to concern that Wales in general, and Gwent in particular, may gain a reputation for being a low-wage, low-skill economy which will rebound to the detriment of the growth in the services economy.

Newport recognises that it suffers from a "doughnut syndrome" – the tendency of new investment to be attracted to the periphery of the town, close to the motorway, and not the centre. To counter this, the council has brought forward a town centre regeneration strategy in conjunction with the Welsh Development Agency which will involve pump-priming £8.5m over the next four years. A similar regeneration scheme has been drawn up for the Pill area of the town.

But the most ambitious regeneration scheme by far is the construction of a £73m tidal barrage to impound the waters of the River Usk and create the conditions necessary for the waterside development of the river banks now strewn with 100 years of dereliction. The bill necessary to build the barrage has been laid before parliament and is expected to enter its committee stage in October.

Meanwhile, Newport council has already spent over £1m on feasibility studies and environmental monitoring. Some of that has gone on assessing the possible impact on ground water levels to avoid the kind of opposition which occurred when such questions were raised about the Cardiff Bay barrage. If all goes according to plan, construction of the Usk barrage will begin in 1995 and be completed in 1998, giving Newport new development sites, a new river crossing, new housing and – its protagonists insist – new confidence.

But Newport Borough Council cannot finance the barrage itself. The project is due to be paid for from a cocktail of sources, including government and EC grants. Which comes back to the relative improvement in Newport's economy. The borough treasurer's current nightmare is that this will used as an excuse to strip the town of its assisted development area status under UK regional policy and exclude its from Objective 2 EC regional development grants. Lobbying to ensure that London and Brussels understand such precipitate action would torpedo Newport's regeneration plans is already under way.

Severn airport and second bridge planned

Second leap forward

GWENT'S transport communications look poised to undergo as dramatic a leap forward over the next decade as they experienced a quarter of a century ago when the Severn bridge opened.

Before 1966, drivers of cars and lorries wishing to travel between Newport and Bristol had either to queue up to catch the Aust ferry which plied the river near the existing crossing, or travel northwards to cross the Severn at Gloucester. It was a different era.

Now plans are afoot for an equally dramatic addition to Gwent's transport infrastructure – construction of a Severnside International Airport, offering an alternative to Heathrow and Gatwick for long-haul scheduled services. Should the project go ahead, it will give Gwent's already excellent communications a substantial extra dimension.

It has to be said immediately that the project is the object of considerable scepticism locally, not least because the proposal was first put forward more than a decade ago. Gwent County Council sought then to promote the virtues of Severnside as the site for London's third airport in preference to Stansted. Though the council lobbied hard, the proposal failed to win Whitehall's support and had to be shelved.

Then, in March last year, it was announced that a privately-led consortium had decided to take the county council's proposal off the shelf and carry forward the scheme, whose centrepiece is the construction of a 4,000 metre runway on land reclaimed from the Severn estuary.

Little has been heard of the project since last year's announcement, but according to Mr Paul Boyce-Mears, managing director of the new consortium company, Severnside International Airport, this does not denote inactivity. "A great deal of preparatory work has been going on behind the scenes on the design, engineering and environmental requirements of the project."

Rather than build another Gatwick or Heathrow, the consortium's model is Manchester airport which has gradually but steadily expanded its range of scheduled services to the point where it now handles 11m passengers a year. The Severnside consortium sees its project as the third leg of a triangle of long-haul airports serving England and Wales – the other two being Manchester and Heathrow.

Mr Boyce-Mears admits the main obstacle still to be overcome is finance. "During the past year the climate has not been good for winning backing for major capital projects. However, I think we are now on the way to getting the required finance."

He is reasonably optimistic that the consortium will be in a position to apply for planning permission before the summer is over and place the necessary bill before parliament later this year. Assuming there are no unexpected hiccups, the new airport could be open for business in five or six years.

Mr Boyce-Mears stresses that while the project is big, it is straightforward. It involves investment of £200m in land reclamation to create a 4,000-metre runway capable of handling, fully-laden, the new generation of 600-passenger Jumbos and Airbuses, and investment of a further £500m to build a modern terminal capable of handling large quantities of freight traffic, as well as passengers.

Airfreight traffic is currently growing at a faster rate than passenger traffic. One of the key advantages of building the airport on reclaimed estuarial land is that it eliminates problems of noise pollution. Mr Boyce-Mears says the investigations they have undertaken show that the number of people affected by the noise "cone" created by aircraft using Severnside would be zero – because the aircraft approaches and take-offs would be over water. By comparison, some 500,000 people are adversely affected by aircraft noise at Heathrow and 50,000 people at Gatwick.

Gwent's other major communications development – the go-ahead of the second Severn bridge – has also enhanced the viability of the Severnside airport project. It has eliminated concern that the current bridge, which carries 19m vehicles a year, compared with 6m when it first opened, could become a serious bottleneck for traffic travelling to and from the airport. (That said, regular traffic jams on the Chiswick flyover do not seem to have dented Heathrow's attractions.)

The second Severn bridge is now definitely going ahead. The start of work was signalled in April when responsibility for the existing bridge passed from the Department of Transport to Severn River Crossing, the consortium which will build, finance and operate the new crossing, with the help of revenues raised from the existing crossing. The four major shareholders in the consortium are John Laing, GTM-Entrepose, Bank of America and Barclays de Zoete Wedd.

This change of ownership from the public to the private sector proved to be an inauspicious occasion. Large traffic jams built up as result of the new consortium decision to raise charges sharply and to begin reconstruction immediately of the tolls plaza at Aust. Instead of vehicles having to pay a toll travelling in either direction, they are now charged only if travelling in a westbound direction into Wales.

Lord Hooson, chairman of the consortium, says that once the new systems are in place, "they will offer a much speedier passage for the 19m vehicles a year now using the bridge." The new bridge will be three miles long and three miles downstream of the existing bridge. It will have three traffic lanes and hard-shoulders each way and wind-shielding to allow vehicles to cross even in high winds.

Fears have been expressed in the past that a second Severn bridge could weaken, rather than strengthen, Gwent's economy by encouraging businesses and skills to migrate from the county to the Bristol area. The signs are that, on the contrary, it is opening up new opportunities to strengthen the local economy. This, too, is evidently the conclusion of a new Pieda study on the impact of the second Severn bridge. Due to be published shortly, it forecasts that the benefits will far outweigh any deleterious effects.

Robin Reeves

KEY FACTS

Area	138,000 hectares
Population (1990)	447,500
Population (2000, forecast)	470,100
Local authority	Gwent County Council
Chief executive	Michael Perry
Chief planning officer	Malcolm Cook
Age structure (mid-1990 estimates)	0-17: 104,000; 18-54: 225,500; 55+: 118,000
Employment (1989)	Manufacturing 52,364 (33%) Services 92,297 (59%), Construction 7,407 (5%), Primary 3,909 (2%)
Unemployment (April 1992)	11.6 per cent
Average house prices 3-bed semi-detached	£50-70,000 (urban), £70-120,000 (rural)
4-bed detached	£70-115,000 (urban), £100,000+ (rural)
Prime rents (Newport, per sq ft)	Office: £12; Industrial: £4.50; Retail: £11
Airports (miles from Newport)	Cardiff 25, Heathrow 115
Rail travel	London 1 hour 30 minutes, hourly (more at peak times)
Road travel (from Newport)	London 2½ hours, Manchester 3 hours
	Birmingham 1 hour 40 mins, Cardiff 15 mins, Bristol 30 mins
Nearest Channel Tunnel freight terminal	Pengam, Cardiff
Grant status	Development area and intermediate status
Nearest university	University of Wales College of Cardiff
Nearest polytechnic	Polytechnic of Wales, Pontypridd
Borough and district councils	Blaenau Gwent 77,400, Islwyn 68,600,
	Monmouth 81,000, Newport 127,000, Torfaen 93,700

Source: National Startpoint, producers of social and demographic data for relocation purposes (0785 43235)

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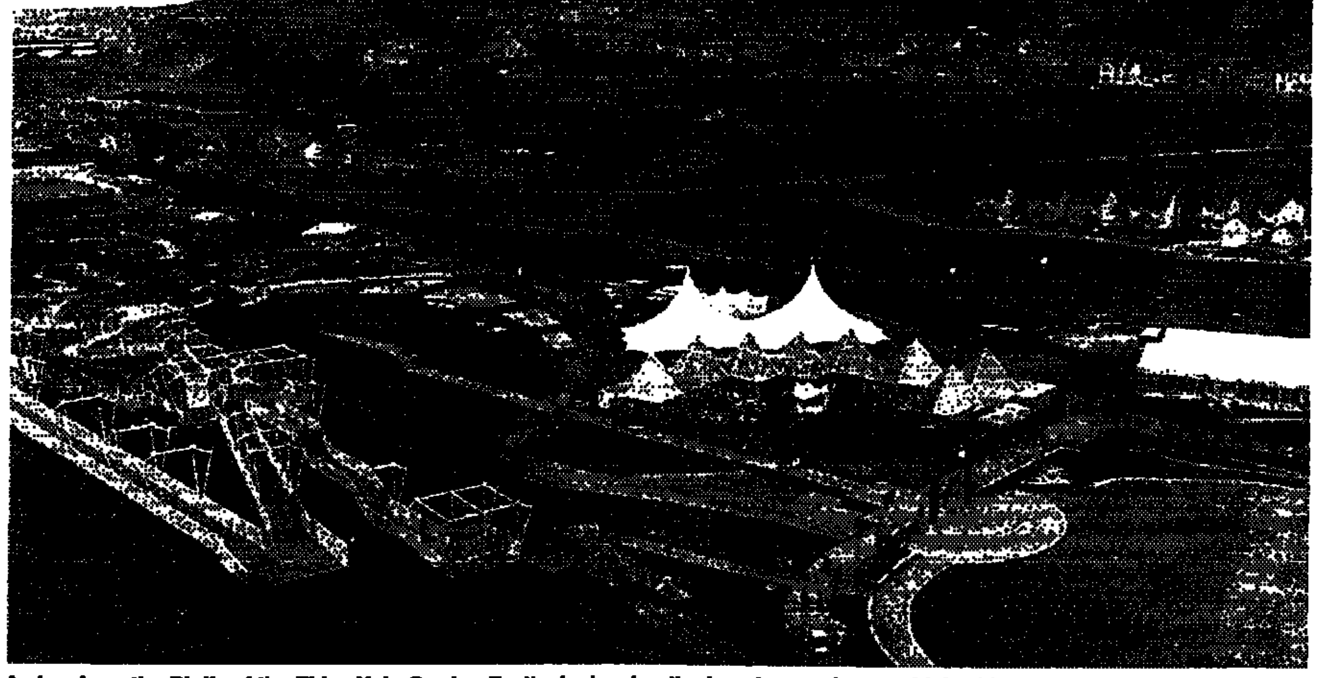
Garden site will bloom with homes and industry

After the festival is over



A view from the Bluffs of the Ebbw Vale Garden Festival, showing the hanging gardens and lakeside theatre

THE VISITORS who have been pouring into the Ebbw Vale Garden Festival every day since the start of May could be forgiven for thinking that what they were enjoying was just another, if more colourful, entertainment centre.

The valley of the Ebbw, once a vital part of Britain's industrial greatness, with steelworks and coal pits, is now a place of greenery and colour. The industrial dereliction has gone and flowers and amusements within the festival site compete for the attention of the visitors.

But the festival, of which Ebbw Vale is the fifth to be held in Britain, was from the start planned to have a more serious purpose than as a mere five-month entertainment centre. It was seen as a vehicle for rehabilitating a part of the country which had been badly hit by the structural decline of heavy industry and the concentration of newer forms of industry elsewhere.

Although garden festivals originated in Germany, where they were intended to help rebuild the country economically after the second world war, they were a British idea. The first was held in Hamburg in 1951. Since then, they have become major events not only in the German entertainment calendar but also elsewhere, as in Holland.

Their arrival in Britain a decade ago owed much to Mr Michael Heseltine's search for an alternative, Conservative, approach to regional policy following the inner-city riots in London's Brixton and Liverpool's Toxteth. The first was held in Liverpool itself, to be followed by Stoke-on-Trent, Glasgow and Gateshead. After Ebbw Vale, there are no plans for any more.

While the festival itself is of great importance – with 2m visitors expected by the close in October it is expected to be the largest holiday attraction in Britain this year – what happens after the gates finally close is of even more importance.

"We are talking about the second transformation of the Ebbw valley"

Mr David Farnsworth, an executive director of the Welsh Development Agency, says that the way in which the site is subsequently developed will help to rebuild the economy not just of Ebbw Vale itself but of south Wales too. "What will happen is not just an exercise in building houses and factories and offices," he says, "it is about changing the commonly accepted perception of the valleys of south Wales and of Wales itself."

The future of Ebbw Vale, he adds, lies in the hands of a partnership between the agency, Gwent County Council and Blaenau Gwent borough council. The three entered into partnership to prepare the site five years ago and by the turn of the century expect to see a thriving new community of some 2,500 people, with 500 houses and 1,000 jobs on the site.

This confidence in the future is based not just on the fact that some investors, such as Welsh Brewers, relocated a distribution depot to Ebbw Vale more than a year before the festival opened, but by the number of inquiries about after-use facilities being received every day.

The WDA's own 8,000 sq ft office at the entrance to the festival has already been the subject of an offer from a data processing company that would have employed 25 people.

"We are taking inquiries all the time," says Mr Bob Croydon of agents J P Sturge. "The visitors can see what is going on and many of them are sufficiently interested in the way the valley has been greened to want to return as employers.

"House building has already started on the site, with the Bailey group, of Cardiff, having put up homes. The first phase of our development plans envisages immediately building 25 for rent with another 15 to follow straight on behind. A similar number will be built for sale. A national housebuilder is to put up 50 detached houses and, with 30 self-build plots allocated, a quarter of the 500 houses expected on the site have already been *committed. That* is encouraging progress."

It is not just houses that will be built. The after-use plan envisages 23.5 acres being set aside for technology areas and 12.5 acres for business use. A business park is expected to create 400 jobs, according to Mr Alan Nichol, the WDA's man in charge of the after-use project. "Areas now being used as car parks will be turned into high-technology sites," he says, "which will create another 700 jobs. The festival site is probably the best in south Wales and we shall create some 1,100 jobs in all on it over the coming years."

"This is a development," says Mr Bernard Assinder, leader of Blaenau Gwent borough council, "that will deliver the long-term regeneration we seek in the area and make us a showpiece for urban regeneration in Britain."

"We are talking about the second transformation of the Ebbw valley," adds Mr Nichol. "The industrial revolution that brought heavy industry here over a century ago was the first; this is the second."

The WDA's Mr Farnsworth carefully puts the development in perspective, though. This is not a plan for tomorrow. Investment may be in the pipeline immediately after the festival closes on October but what the three partners are looking to is a development over the next eight years. He sees completion by the turn of the century rather than the turn of the year.

"Enormous changes have certainly taken place," he says. "We had to move 250m cubic metres of derelict land before we could start. That is equivalent to filling 125,000 lorries. What we had to do was to move the spoil of 100 years and more of industrial activity. We did it in three years and it cost the agency £20m.

"Even with the infrastructure largely in place it will take 10 years to complete the job. But it is a job that will be completed. The site is superb and the location is excellent – just half an hour from the M4 and only 1¼ hours from Birmingham.

"We have the right product and through our co-operation we are tackling the development in the right way. The secret is to work at a steady pace and to take the developers along with us at every step. We already have £10m of investment committed and by the end we shall have over £100m."

Blaenau Gwent's Mr Assinder sums it up by saying that the garden festival has acted as the catalyst for a development that will radically alter the character of the valley. "We would not have been able to do this in such an imaginative way nor at such speed without a festival."

For a Labour leader to agree in practice with the principles laid down by a Conservative minister – Mr Michael Heseltine – a decade ago indicates the consensus that the garden festival has created.

Anthony Moreton

PROPERTY

It 'will be one of the first areas to pick up'

Roseheyworth Business Park, Abertillery, will offer 18,000 sq ft of industrial and office floorspace

THIS YEAR has a Spanish flavour, so perhaps it is not surprising that Wilson Bowden Properties has named the centrepiece of its Langstone Park development Columbus House. Whether the name presages deeper associations with the Iberian peninsula has yet to be revealed, but next February the first office block, comprising 55,000 sq ft, on the site will be ready for occupation at £12 a sq ft.

Mr Nigel Webb, of agents Debenham Tewson & Chinnocks, says the building, which is a joint venture with the Welsh Development Agency, occupies "one of the best positions in Britain". Mr Robert Grafton, Wilson's development manager, agrees.

But then, they have a vested interest in ensuring the commercial success of the building, which is part of a £70m development.

Mr Graham Moore, the Welsh Development Agency's property director, is a more dispassionate observer since the agency takes an overview on all property matters in Wales. "You have only to look at its situation to see how it can appeal," he says. "It sits on junction 24 of the M4, is no more than 15 minutes from the Severn Bridge and will not be far from the Welsh end of the second Severn crossing when that bridge is opened in 1996.

"In addition, it has two hotels virtually at the entrance to the park, which is important not just to business users but also for the conference facilities they provide."

However, Langstone Park is, as Mr Moore is quick to point out, only one of several sites being marketed in Gwent. Signs of increasing activity are beginning to be seen elsewhere in this part of the country.

At the exit to the Severn bridge, on junction 22, Newhouse Park is a distribution park with clients like Tesco, Nestlé and Littlewoods already in occupation. Esso has just completed a service station at junction 23 where land is ripe for development if only the two local authorities, Monmouth and Newport, could agree on what sort of activity should occupy the site – distribution says Newport, offices says Monmouth.

The agency intends not just to concentrate on the M4 corridor. "Our policy is to draw developers north"

Then at junction 28 two major developments are pencilled in. First there is Celtic Lakes, a joint operation between Trencherwood, Bassaleg Group, Newport and the WDA, which will contain within it the Imperial Park, in which London's Imperial College is to have its science park. Mr Gwyn Jones, chairman of the WDA, has described this as "one of the most important developments to take place in Wales. It will put the principality on the international map as a centre for research and development."

Trencherwood and partners are undertaking a B1 office development within which Imperial Park will be an integral, but separate, part. Celtic Lakes, the name for the whole, will comprise 170 acres in all and the infrastructure is already in place. Trencherwood-Bassaleg will develop 50 acres in phase one and Imperial Park will cover 60 acres, with room for a further phase.

Altogether, 2m sq ft of space will be available when the site is fully developed, creating several thousand jobs. Imperial's core block, the Innovation Centre, is already up and the first client is about to sign the necessary forms.

Across the road, in Cleppa Park, Portico Estates has been quietly putting together a development that began, in conjunction with Cardiff University, as a science park but with the arrival of Imperial College has turned into another B1 development, albeit with a touch of academe. An announcement is expected soon about a developer from the south-east who, with Danish finance, would kick off the project.

Next door to Cleppa Park, the Gwent Technology Park is taking shape, a joint venture between the WDA, Gwent County Council and Newport.

In all these, the WDA is playing a central role. Its portfolio in Gwent runs to 36 estates, comprising 466 units providing just under 4.8m sq ft. Without its presence, it is doubtful if the property market would be sustainable.

Institutional finance has alway been unwilling to commit itself to Wales and so the agency has had to underpin the market to show outside interests that Wales is as viable a market as, say, the West Midlands or the Manchester area.

That policy, which has seen the WDA become the largest property-linked agency in Europe, has had some success recently and that will have great significance for the future. Institutional finance has arrived in Cardiff and now it has spread from the Welsh capital to Gwent.

Last year Allied Dunbar paid £3m for a property in Newport and CIN Properties paid £4m for the remainder of Llantarnam Park in Cwmbran, just north of Newport.

These may be small beginnings but they are significant because it is the agency's policy to be self-funding and so property realisations will be an important factor in the success or failure of that policy.

In the financial year 1991-92 the agency raised about £55m in property transactions, £26m of it in capital sales and some £30m in rents. This year it aims to raise £50m in capital receipts alone.

It intends not just to concentrate on the M4 corridor, however attractive that is commercially. "Our policy is to draw developers north," Mr Moore says. "We have plenty of sites at the top end of Gwent where the attractions are not just scenic, being on the edge of the Brecon Beacons national park, but also of the spine A465 Heads of the Valleys road, which links the tops of all the industrial valleys in south Wales to the Midlands."

The agency put up a building on the Ebbw Vale garden festival site and received an offer for it even before the festival opened in May. Nearby it has the Crown Business Park, actually on the A465, on the market.

It is a common perception that the valleys are "dead" for commercial development. Without the WDA, this feeling would persist and would therefore be self-fulfilling. But the agency has proved it is possible to get people interested in the valleys.

The Ebbw Vale office block is just one example. Marine colliery, just below the festival site, one of the last pits to be working in the county at its closure, has now been cleared and levelled and is waiting for the first speculative blocks to be erected. Other coalmining sites are now busy industrial areas.

Rassau, above Ebbw Vale, is the perfect example of how success can be created from a site that is generally thought to be unprepossessing. "Ten years ago," says Mr David Farnsworth, the agency's director in charge of urban development, "the agency was thought to have gone mad when it decided to develop Rassau. Today, the estate provides work for 3,000 people. It shows what can be done."

According to Mr Webb of Debenham Tewson: "Perceptions about Gwent, as about Wales itself, are now changing. There was not a lot of development in the county in the past because people still associated it with heavy industry. But all that has now gone. The last pit has closed and the steel industry is more about computers than sweat and grime.

"So institutional support has begun to come as the international companies, such as Panasonic, Yuasa Batteries and Trico have moved in. This will be one of the first areas to pick up."

Such evidence as there is shows that the pick-up may be on the way. Mr Bernard Assinder, leader of Blaenau Gwent council, which covers the northern part of the county, *says that inquiries in* the first quarter of this year were 60 per cent higher than in the previous three months.

Both Mr Moore and Mr Webb detect quickening interest elsewhere in Gwent. The progress at Cleppa Park supports this. So does an imminent announcement for a 140,000 sq ft expansion in Newport and a relocation in Pontypool. All this can only be good news.

Anthony Moreton

Imperial House in the Celtic Lakes science and business park

CELTIC LAKES

'Most exciting science park'

A CHANCE meeting between Dr Eric Ash, rector of Imperial College of Science and Technology, and Mr David Waterstone, then chief executive of the Welsh Development Agency, led to the creation of what has been described as the "the most exciting science park to be built in Britain".

Imperial College, part of London University and a world-renowned leader in the field of science and technology, was looking to expand its science park, a small unit of about three to four acres housed at Ascot, Berkshire. That building was full, while Imperial's premises, next to the Victoria and Albert Museum and the Natural Science Museum in London's South Kensington, offered no scope for expansion.

Mr Waterstone seized his chance. Why did Imperial not come to Wales, to a site in Newport that the agency wanted to develop in conjunction with the borough council and Gwent County Council? In travelling time, it was little further from Imperial College than Ascot since trains ran every hour through the day from Newport into Paddington in about 100 minutes. With modern communications anyone in Newport could talk through computer links to Imperial College just as easily as if he or she were in the next room.

Dr Ash was intrigued. Some time after, a report in the Financial Times alerted other parts of Britain to Imperial's intention to move its science park to Wales. The college was bombarded with proposals that it should look elsewhere.

This was an anxious time for the Welsh Development Agency as Imperial felt bound to consider several other suggestions, though in the end it stuck by its decision to put its science park in Newport.

The first building, an innovation centre, on what has been named Imperial Park has just been completed and the first tenants are on the point of moving in. Dr Gwyn Jones, the WDA's chairman, who has already paid one visit to Japan to "sell" the idea of Imperial Park as a place for high-quality research allied to the college, is enthusiastic about the project.

"This science park will put Wales on the map as one of the most technologically advanced places in which to work," he says. "Imperial Park will become the science park by which all the others will be judged. With Imperial's reputation and our development and marketing ability, the economy of Wales will be given an enormous lift."

Imperial Park is, in fact, only part of a much larger £250m development that is taking place on the western edge of Newport and that goes under the name Celtic Lakes. This area is being developed by a partnership between Trencherwood, the Newbury-based concern in Berkshire, which has long owned land on the site, and the Bassaleg Group, a local concern which is closely linked to London and Cardiff Properties, the development arm of a local entrepreneur, Mr Bruce Woodstock.

"Imperial Park will become the one by which all the others will be judged"

Celtic Lakes covers some 170 acres and is a joint venture between the two private sector concerns and the WDA and Newport from the public sector. In the first phase of the development, Imperial together with the WDA and Newport will work on 50 acres while the two private sector concerns will have some 60 acres. In the second phase Imperial has a further 28 acres with Celtic Lakes holding the remainder.

Imperial Park's innovation centre, covering 25,000 sq ft, will be let, on two floors, in units down to 500 sq ft with direct communications links to Imperial College in London. A second sister building next door is expected to be ready next year.

Mr Bruce Woodhead of Celtic Lakes says that work on its first building, actually two 15,000 sq ft buildings linked by an atrium, should start soon so that it is ready for occupation in the summer of next year. He is looking for rents in the area of £12.50-14 a sq ft, the higher figure being the top of the market at the moment in nearby Cardiff. A marketing launch will begin in the autumn.

Imperial's rents would be lower since its clientele would be rather different, researchers and scientists working at the leading edge of science and technology. With its smaller units it is looking at about £8.50 a sq ft.

Like the other major science parks in Britain, such as Trinity in Cambridge and Heriot-Watt in Edinburgh, Imperial hopes that its tenants will eventually grow larger and move out, it is hoped, into larger premises on the Celtic Lakes estate.

When completed, the science and business park comprising Celtic Lakes will offer some 2m sq ft of space.

Mr Graham Moore, the WDA's property director, says that the joint venture between the four partners involved in Celtic Lakes, will "ensure that the development linking the science park and the business park will go ahead with quality always in mind."

Both he and Mr Woodhead say that tenants are "on the horizon". The WDA is marketing Imperial Park "very heavily", Mr Moore says, "and one or two major companies have already expressed strong interest". Mr Woodhead says even the institutions are interested in the site.

In the present climate that is quite an achievement because Celtic Lakes is not a stand-alone development. TSB and Panasonic have been adjoining inhabitants for some years and across the A48, which links Newport and Cardiff, Gwent County Council together with Newport and the WDA is developing the Gwent Technology Park. This park has, for some years, been home to the research and development activities of AB Electronics, the international concern.

Next door to this technology park the London-based Portico Estates is developing, in conjunction with University College, Cardiff, what was intended to be a science park but which now has more of a business park theme. This developer, too, is talking of a potential client.

Visitors to Celtic Lakes can now see the distinct outlines of the park created by London architects Aukett Associates. Water features are in place, the roads are completed and the paths are laid down. Mr Woodhead says the number of trees and shrubs planted have probably not been exceeded by any other British business park.

"We see the site competing with the very best, with the likes of Aztec West in Bristol, the Birmingham Business Park, Stockley Park near London's Heathrow Airport or the Solent Business Park outside Southampton. But this is not just a British park; it is intended to be able to compete with the very best in Europe, too."

Those are large claims, but there are plenty of people in Wales who believe not only that Celtic Lakes, incorporating Imperial Park, will succeed but that it will enormously enhance the standing and attraction of the Welsh economy as well.

Anthony Moreton

GWENT contains an abundance of valleys, from the Black Mountains in the north of the county to the Wye Valley in the south. But for those who live there, the Gwent valleys mean one thing – the coal-mining valleys of the west of the county.

This part of Gwent was in the forefront of the 19th industrial revolution. But the traditional iron, steel and coal industries having declined to a shadow of their former importance, these particular valleys are having to build new economic and social foundations.

The pressures of economic change in this part of Gwent are not new. A sustained effort has been going for decades to diversify local employment opportunities as the number of jobs available in coal and steel has declined. The industrial estates along the Heads of the Valleys and at strategic locations within the valleys themselves bear witness to the progress those efforts have made over the years.

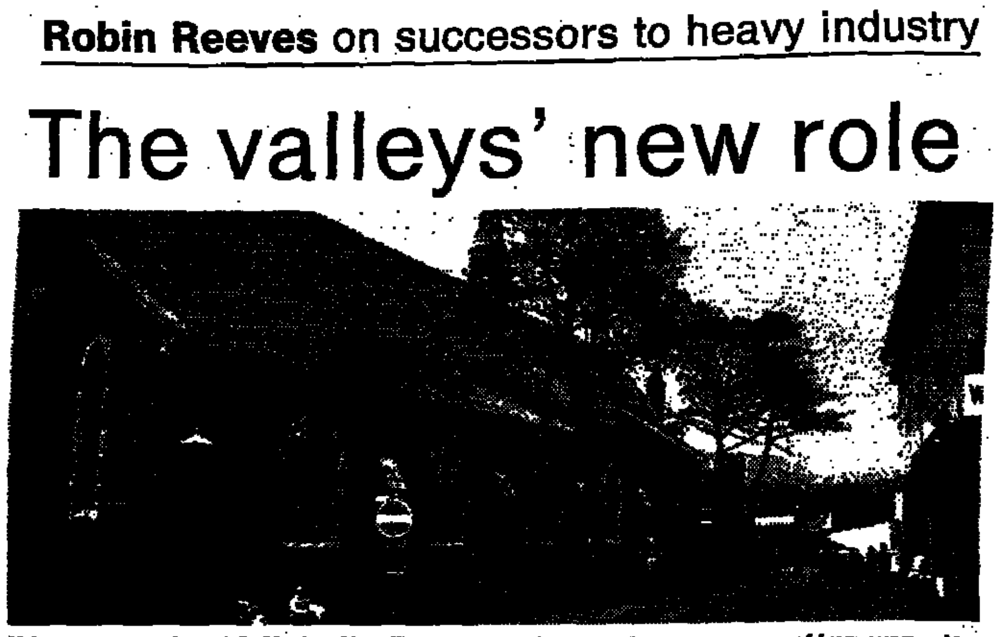
Long before garden festivals were thought of, the Rassau industrial estate was carved out of the mountainside above Ebbw Vale by the fledgling Welsh Development Agency to create a pole of attraction for new industries. It was clear that thousands of new jobs would be needed once iron and steel-making was ended at British Steel's Ebbw Vale works and the site confined to the manufacture of tinplate. The closure of the "heavy end" of Ebbw Vale in 1978 brought to an end more than 200 years of steel-making in the valley.

Over the past decade, the pace of industrial change has accelerated, catapulting the Gwent valleys into a new era. In 1981, there were still at least 5,000 men employed in the county's remaining deep mines. Today, deep mining has ceased altogether; leaving just a few open-cast operations as a reminder of the coal industry's former pre-eminence.

Nevertheless, diversification has being going ahead. The roll call of Japanese, US and German, as well as UK companies, which have long-established, successful operations in the area, is impressive. Some of the smaller companies, particularly from elsewhere in the UK, may have been initially attracted by the financial assistance available (the upper ends of the valleys have long enjoyed development area status and the lower ends intermediate area status).

Robin Reeves on successors to heavy industry

The valleys' new role



Urban regeneration at St Marks, Abertillery – part of an ongoing programme of improvements

But for every cowboy operation simply seeking to take advantage of the grants available before moving on, dozens of others have put down firm roots in the area, grown and prospered.

More inward investment is always wanted. But there is considerable effort these days to encourage local enterprise. Torfaen Borough Council, the local authority in Gwent eastern valley, has had considerable success in building and letting starter business units on easy-in, easy-out tenancy terms and "make and display" units which give tenants a shop window for their products as well as manufacturing space. In spite of the severity of the recession, none of its tenants has suffered a forced liquidation.

While inquiries for business starter units are running at record levels, officials are uncertain whether this reflects the beginnings of an economic recovery or the fact that more people fear being made redundant and are therefore exploring the possibility of launching their own business ventures.

One consequence of the ending of coal-mining – together with the long-term programme of derelict land reclamation introduced in the wake of the Aberfan disaster – has been the return of the Gwent valleys to their former natural beauty. But while the natural environment has greatly improved, the same cannot be said of some of the valley towns.

They have suffered the same lack of private investment in shops, offices and other commercial premises as have the inner city areas of England.

A sustained drive has now been launched by the WDA, Gwent County Council and other agencies to modernise and improve several of these centres and their environments.

Work being carried out under urban development and regeneration programmes includes a new town centre bypass at Crumlin; improvements to retail premises and the town centre environment at Blackwood and Newbridge; support for new retail developments as well as a new bypass at Pontypool; investment of £665,000 in 1992-93 town centre improvement in Abertillery; and £400,000 in an major planning study of Tredegar, designed to revive that town's economy.

Private sector pump-priming is essential if the Gwent valleys are to build on the boost given to what promises to be another steadily developing industry of the future – tourism.

There is an exceptionally rich industrial history. Blaenafon, at the head of Gwent's "Eastern Valley" is not just the location of Big Pit, the colliery preserved as a museum to commemorate the South Wales coalfield, which now attracts 160,000 visitors a year.

It was also at Blaenafon that Sidney Gilchrist Thomas invented the Basic Open Hearth Process for steelmaking by showing that iron ore containing phosphorus could be made into steel by lining the furnace with limestone. This was a crucial industrial breakthrough in the 19th century, opening the way for the development of the steel industry in the US (by Andrew Carnegie) and in Germany where it is known to this day as the Thomas process.

The political history of the area is also colourful. The Chartists' insurrection in 1839, in support of basic democratic reforms, when large crowds marched down the Gwent valleys to Newport, to be fired upon by troops and see their leaders seized and transported to Australia, is still commemorated annually.

In this century, Aneurin Bevan, who was born in Tredegar, represented neighbouring Ebbw Vale in parliament for over 30 years. His political accomplishments, most notably the National Health Service which he established as Minister of Health in the 1945-50 Labour Government, grew out of his experience as a boy collier and miners' agent in the Gwent valleys.

Before long, people may begin visiting the area in search of the political roots of two other political names associated with the Gwent valleys – Mr Michael Foot and Mr Neil Kinnock. Mr Foot succeeded Bevan in 1961 as MP for Ebbw Vale (called today, after boundary changes, Blaenau Gwent) and represented the constituency at Westminster until the recent general election. Mr Kinnock continues as MP for Islwyn (previously Bedwellty), a constituency covering the bulk of Gwent's Western Valley which he has represented since 1970.

LONDON STOCK EXCHANGE

Early confidence upset as futures fall

By Terry Byland,
UK Stock Market Editor

THE CLOUD cast over prospects for the Maastricht Treaty by developments in Denmark and France unsettled the London stock market yesterday. Stock index futures plunged heavily, closing at a discount to the underlying stock market for the first time in this account as traders took alarm at a setback in UK government bonds which raised worries regarding the British government's funding schedule. The FT-SE Index, edging ahead at mid-session, lost 30 points in the afternoon before steadying at the close of business. The final reading put the FT-SE Index at 2,680.9 for a net loss of 25 points.

While yesterday's setback in equities was little more than a nervous response to developments in Europe, market strategists warned of potentially more serious implications. Yield ratios between UK equities and gilts could be sharply changed if anti-Maastricht moves upset potential overseas buyers of UK government bonds. "The gilt market needs to be closely watched over the next week," warned the economics team at Kleinwort Benson Securities.

London rallied comfortably at first from an initial fall of 10.9 on the Footsie which reflected the overnight news that the Danish referendum had rejected Maastricht; nor was the UK market long restrained by Wall Street's weak close overnight.

Account Dealing Dates		
*First Dealings:		
May 11	Jun 1	Jun 15
Option Declarations:		
May 28	Jun 11	Jun 25
Last Dealings:		
May 29	Jun 12	Jun 26
Account Day:		
Jun 8	Jun 22	Jul 6

*New-time dealings may take place from 8.30 am two business days earlier.

By midday, traders' thoughts were turning towards the Epsom racecourse and bets were being placed for the Derby, always the stock market's favourite horse race. The mood changed dramatically, however, when the Paris bond market plunged on news that France will hold a referendum on the European unity treaty, and UK gilts followed suit. A sharp setback in the sterling rate against the D-mark completed the London stock market's unhappiness.

As so often happens, it was the stock index futures market which took the brunt of the selling pressure, attracting significant unloading of positions by marketmakers and institutions struggling to shift their investment stances. The June index future quickly fell to a discount and prices for the underlying equity stocks were struck down in haste as marketmakers sought to minimise losses.

Turnover in equities was relatively unexciting with a Seaq total of 473.6m shares comparing with 493.8m in the previous session. There were a number of good company news features and the banking sector turned firmer as traders absorbed the implications for the sector of the growing struggle for control of Midland.

However, the general nervousness unsettled the broad range of the market. Pharmaceutical stocks remained depressed by the bearish trend established on Wall Street, but steadied at the close when the New York market rallied from initial loss to make a firm start to the new session.

There was no move by market firms yesterday to alter their forecasts for the London market. The consensus view remained that recovery stocks should be bought, although it was agreed that unambiguous confirmation of an economic recovery is still lacking.

Telecom proposals hit C&W

THE market registered its disappointment with details of the new telecoms agreement between Hong Kong Telecom and the Hong Kong government by marking down shares in Cable & Wireless (C & W), which owns 57.5 per cent stake of Hong Kong Telecom. Hong Kong is easily the largest revenue earner for C & W.

By the close, C & W was 14 lower at 554p on good turnover of 2.6m shares. Telecoms specialists said the market was disturbed by the proposed 8 per cent reduction in international call prices imposed by the government, although it was pointed out that this was also following a trend in international telecom markets.

Other details of the agreement were much as expected, said Mr John E. Clarke, telecoms analyst at Daiwa Securities, the Japanese-owned securities house. C & W is scheduled to report preliminary figures on June 17.

Reed pleases

Better than forecast 1991-92 results prompted Reed International to rise against the market on heavy turnover. The publisher announced profits for the year to March of £232m against forecasts of £213m to £220m.

Analysts said the headline figure was good and even when a £9m pension credit and a £5.5m positive translation (foreign currency) gain was stripped out, the results were still towards the upper end of expectations. The market shrugged off a cautious outlook for the coming year from chairman Mr Peter Davis who said Reed's optimism at its interim results had been premature so he was reluctant to forecast. S.G. Warburg which has been a strong buyer of Reed for some time, on the back of an advertising turnaround in the US upgraded its forecast for the year to March 1993 by £9m to £267m. However, James Capel is less enthusiastic feeling that, in the short term, the share price is "up with events." The shares were 16 higher at one stage and closed 6 better at 580p.

The 6.6 per cent improvement in full year profits from Siebe, ahead of market expectations, helped the shares jump 12 to 739p, making it the best performing FT-SE stock of the day. A company presentation at Kleinwort Benson yesterday afternoon was reported to have gone down well. Several brokers moved to upgrade current and following year profit expectations after the results.

Shares in submarine and warship builder VSEL soared, adding 37 to 455p, to make it the best market performance of the day, after the company reported figures up 17.6 per cent, and expressed confidence that the UK will order a fourth trident submarine.

Improved traffic figures for May boosted British Airways, and the shares hardened 3 to 288p.

Favourable sentiment returned to TI Group with reports that UBS Phillips & Drew had turned positive on the stock. The shares added 12 to 357p, which boosted the performance of its bid target Dowty Group, 3 up at 176p.

Turnover in USM-listed Menvier Swann rose sharply and the shares added 21 to 430p, after Credit Lyonnais Laing bypassed the company's broker UBS Phillips & Drew to place 19 per cent of the company's equity.

MEPC, among the UK's second larget property groups, was the biggest faller among the Footsie constituents, losing 14 to 330p, or just over 4 per cent. However, turnover in the stock was a very thin 262,000. The fall was triggered by news that Moody's, the credit agency, had downgraded MEPC's long term debt, some £380m-worth, from A-1 to A-2.

Dealers said the shares had run up recently on the back of rather spurious takeover rumours.

The battle for control of Midland Bank continued to dominate the banking sector with many speculators convinced that Lloyds Bank will signal its intention of bidding well in excess of 500p a share for Midland after the Lloyds board meets tomorrow.

Midland shares responded by moving up 5 more to 457p on heavy turnover of 7.9m, helped by further keen support from mainly US-sourced arbitrageurs. Lloyds, meanwhile rose 6 to 438p on 2.5m.

The view that a Hongkong Banking victory in the Midland takeover battle would push Lloyds into launching a bid for another of the big UK banks led to keen speculative support for Royal Bank of Scotland and TSB, despite the widespread view of bank analysts that Lloyds would be most unlikely to undertake such a move.

TSB rose 2¼ to 147p on heavy turnover of 10m while Royal Bank eased to 203p on strong turnover of 5.5m shares. NatWest Bank slipped 2 to 365p despite more profit upgrades.

Shares in Sturge, the Lloyds underwriter, plummeted 59 to 111p, after being as low as 90p, following the halved interim dividend, the chairman's forecast that full year profits would be sharply lower and that the full-year payment would receive similar treatment. JIB Group dropped 5 to 195p and Lowndes Lambert 11 to 309p in sympathy.

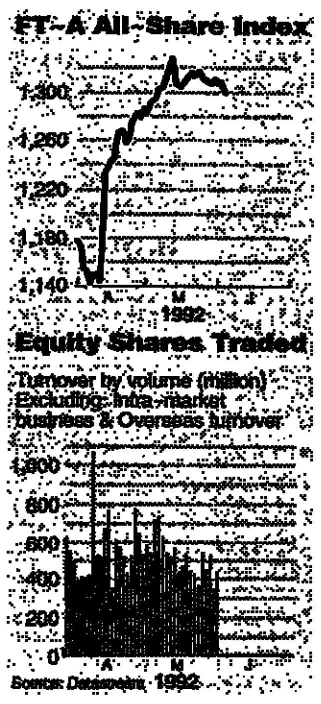
New York continued to cast a jaundiced eye over the pharmaceutical sector following worrying projections from Bristol-Myers Squibb on Tuesday and the scepticism affected the UK sector. Glaxo failed to benefit from news that its top-selling drug Zantac had received approval by the US Food and Drug Administration for a broader use. The shares fell 14½ to 756p. SmithKline Beecham lost 20 to 904p.

ICI was not helped by news that the EC is to investigate the sale of its nylon division to Du Pont of the US. The shares fell 11 to 1328p.

Brewers and drinks companies followed the market down, with some big international companies losing ground on nervous US selling after the Danish Maastricht vote. Grand Metropolitan, with more US shareholders than the other international drinks groups, fell 15 to 493p, while Guinness slipped 10 to 598p and Allied-Lyons a similar amount to 649p. Regional brewer Marston Thompson fared rather better, gaining 9 to 254p on news of a trading agreement with Bass, down 12 at 611p.

Laura Ashley, slipped a penny to 93p, failing to react to comments made in New York by Mr Andrew Higginson, the finance director. He said Laura Ashley should earn £7m to £8m profits this year on flat revenues, after squeezing inefficiencies out of the company. It reported a £9.1m loss last year, when making an exceptional restructuring provision.

Woolworths to B&Q holding company Kingfisher gave up 9 to 545p as the chairman told the group's annual meeting "as ever, the challenge now is to keep ahead of the game in a trading environment which as yet has shown no signs of any substantial recovery." Boots, with results due today, gained 5 to 490p.



MARKET REPORTERS:
Peter John, Joel Kibazo,
Colin Millham,
Steve Thompson.

■ Other market statistics, Page 22

FINANCIAL TIMES STOCK INDICES

	June 3	June 2	June 1	May 29	May 28	Year Ago	1992 High	1992 Low	Since Compilation High	Since Compilation Low
Government Secs	89.10	89.58	89.58	89.62	89.58	83.71	89.62 (29/5)	85.11 (1/4)	127.40 (9/1/35)	49.18 (3/1/75)
Fixed Interest	105.49	105.92	105.73	105.62	105.53	93.39	105.92 (2/6)	97.15 (2/1)	105.92 (2/6/92)	50.53 (3/1/75)
Ordinary Share●	2090.7	2111.0	2104.7	2114.1	2109.2	1974.8	2149.7 (22/5)	1851.4 (3/4)	2149.7 (22/5/92)	49.4 (26/6/40)
Gold Mines	106.3	106.1	105.8	108.3	110.0	181.2	160.6 (10/1)	105.8 (1/6)	734.7 (15/2/83)	43.5 (26/10/71)
FT-SE 100 Share	2680.9	2705.9	2697.6	2707.6	2694.2	2521.5	2737.8 (11/5)	2382.7 (3/4)	2737.8 (11/5/92)	986.9 (23/7/84)
FT-SE Eurotrack 200	1234.62	1246.70	1241.59	1245.26	1240.69	1192.11	1248.79 (11/5)	1120.52 (8/1)	1248.79 (11/5/92)	938.82 (16/1/91)
●Ord. Div. Yield	4.41	4.37	4.39	4.38	4.38	4.83				
●Earning Yld %(full)	6.46	6.40	6.43	6.39	6.42	8.44				
●P/E Ratio(Net)(☆)	19.39	19.56	19.48	19.58	19.50	14.65				
SEAQ Bargns 5.00pm	23,379	25,306	23,952	32,847	27,257	24,842				
Equity Turnover(£m)†	-	1045.3	791.8	1238.7	1280.6	808.11				
Equity Bargains†	-	28,013	26,505	36,578	31,573	24,686				
Shares Traded (ml)†	-	444.0	361.3	532.8	467.8	352.1				

Basis 100 Govt. Secs 15/10/26. Fixed Int. 1928, Ordinary 1/7/35, Gold mines 12/9/55. Basis 1000 FT-SE 100 31/12/83 & FT-SE Eurotrack 200 26/10/90. ☆ Nil 17.98

Ordinary Share Index, Hourly changes — Day's High 2115.6 — Day's Low 2084.8

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2100.3	2101.7	2110.8	2113.8	2113.5	2106.3	2091.9	2085.2	2098.6

FT-SE 100, Hourly changes — Day's High 2708.4 — Day's Low 2675.3

Open	9 am	10 am	11 am	12 pm	1 pm	2 pm	3 pm	4 pm
2695.0	2697.4	2704.4	2707.3	2706.8	2697.1	2680.1	2675.4	2681.1

FT-SE Eurotrack 200, Hourly changes — Day's High 1245.85 — Day's Low 1231.41

Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm
1243.07	1243.78	1245.85	1244.34	1239.73	1232.47	1233.26

GILT EDGED ACTIVITY

Indices*	June 2	June 1
Gilt Edged Bargains	89.5	82.4
5-Day average	87.0	85.8

*SE Activity 1974.
†Excluding intra-market business and Overseas turnover.

London report and latest Share index: Tel. 0891 123001. Calls charged at 36p/minute cheap rate, 48p/minute at all other times.

TRADING VOLUME IN MAJOR STOCKS

	Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change		Volume 000's	Closing Price	Day's change
AOT	1,000	465	+6	Comm. Union	965	500	+1	Lucas	1,000	143	-4	Shell Transport	4,600	507	-2
ASDA Group	4,500	31½	-1½	Cookson	1,500	160		MB Caradon	1,500	265	-8	Siebe	1,600	739	+12
Abbey National	2,500	297	-4	Courtaulds	1,000	552	-3	MEPC	366	330	-14	Slough Ests	673	200	-3
Albert Fisher	338	73½		Dalgety	137	420	-8	Manweb	363	351	-6	Smith (W.H.) A	1,900	465	
Allied-Lyons	1,100	649	-10	De La Rue	384	581	-1	Marks & Spencer	3,700	326	-9	Smith & Nephew	3,000	150	-1
Amstrad	872	41	-1	Dixons	2,400	288	-6	Midland Bank	7,900	457	+5	SmKl Beecham	3,100	904	-20
Anglian Water	686	429	+1	ECC Group	929	551	-4	Midlands Elect.	930	306½	-7½	SmKl Beecham Uts.	288	[illegible]	[illegible]
Argos	436	258	-3	Eastern Elect.	472	284		NFC	1,300	271	-2	Smiths Inds.	872	303	-7
Argyll Group	4,900	349	-2	East Midland Elect.	372	304	+1	NatWest Bank	4,800	365	-2	Southern Elect.	568	289	-4
Arjo Wiggins	1,600	266	-1	Enterprise Oil	1,800	430	-11	National Power	4,400	239	-4	South Wales Elect.	206	367	+1
Ass. Brit. Foods	150	444	-2	Eurotunnel Units	447	382	+4	Next	851	93½		South West Water	1,600	472	+6
Ass. Brit. Ports	156	422		FKI	679	81		North West Water	267	426	+1	South West. Elect.	463	316	+3
[illegible]				[illegible]				[illegible]				[illegible]			
Bowater	103	830	-5	Hanson Warrants	692	27¼	-1	Redland	1,700	508	-6	Trafalgar House	1,100	136	-4
Brit. Aerospace	1,400	343	-2	Harrisons Crosfield	396	140	-2	Reed Intl.	2,800	580	+6	Unigate	516	342	-4
British Airways	3,700	288	+3	Hillsdown	730	173	-5½	Rentokil	1,700	181	+2	Unilever	2,000	918	+3
British Gas	6,000	258½	-½	IMI	862	288	-2	Reuters	708	1185	-5	United Biscuits	1,200	399	-8
British Land	646	207	-4	ICI	1,000	1328	-11	Rolls Royce	2,800	164	-1	Utd. Newspapers	109	420	-3
BP	4,600	268	-2½	Inchcape	1,700	496	-9	Rothmans	337	1068	-12	Vodafone	2,000	378	-6
British Steel	4,500	80	-½	Kingfisher	1,800	545	-9	Ryl Bk Scotland	5,500	203	-1	Warburg (SG)	789	555	-1
British Telecom	8,100	355	-3	Kwik Save	414	617	-3	Royal Insurance	3,100	244	+4	Wellcome	443	983	-8
Br. Telecom New	5,900	135½	-1	Ladbroke	2,000	229	-7	Saatchi	2,500	20¾		Welsh Water	138	476	
Bunzl	100	111	-2	Land Securities	1,400	415	-8	Sainsbury	4,600	473	-2	Wessex Water	18	505	+3
Burmah Castrol	501	626	+9	Laporte	180	627	-10	Scottish & New.	587	465	-2	Whitbread 'A'	1,000	487	-2
Burton	2,100	50½	+½	Legal & General	882	394	-5	Scot. Hydro-Elect.	398	193	-3	Williams Hldgs	403	394	-1
Cable & Wire	2,600	554	-14	Lloyds Abbey	695	413	-10	Scottish Power	2,000	161	-3	Willis Corroon	446	260	-3
Cadbury Schweppes	2,200	464	-2	Lloyds Bank	2,500	438	+6	Sears	3,700	93	-2	Wimpey	1,400	168	-6
Calor Group	32	198	+1	LASMO	2,700	191	-7	Sedgwick	542	215	-7	Wolseley	382	437	+2
Carlton Comms.	307	652	-8	London Elect.	3,400	317	+1	Seeboard	111	324	+1	Yorkshire Elect.	412	379	-2
Coats Viyella	1,000	212	-3	Lonrho	1,400	90	-1	Severn Trent Water	415	419	+1	Yorkshire Water	17	463	-1

Based on the trading volume for a selection of Alpha securities dealt through the SEAQ system yesterday until 4.30pm. Trades of one million or more are rounded down.

EQUITY FUTURES AND OPTIONS TRADING

THE ANNOUNCEMENT that the French Government is to hold a referendum on the Maastricht treaty caused a sharp retreat in the FT-SE future sending it to a discount to the cash market on several occasions during the session, writes Joel Kibazo.

An early fall in the June contract on the FT-SE, after it opened at 2,708, quickly gave way to a squeeze which sent the contract climbing to 2,724 by about 11am.

However, the mid-session announcement from Paris led to a large sell-off causing June to tumble as it gave up earlier gains. At several points during the afternoon, June was at a discount to the cash market, though a further slide was halted by early firmness on Wall Street. The confidence on Wall Street proved unsustainable and June drifted back again.

June closed at 2,680, down 37 on the previous session and below its estimated fair value premium to cash of about 6. Turnover was high, more than 14,000 contracts were dealt.

The day in traded options was reported to have lacked big features. A total of 28,739 lots were traded, of which the FT-SE option traded 10,136. Bid target Midland Bank, once again took the honours for the most traded stock option as some 2,648 lots changed hands. This was followed by National Power at 2,413 lots.

FT-ACTUARIES SHARE INDICES

EQUITY GROUPS & SUB-SECTIONS (Figures in parentheses show number of stocks per section)	Wednesday June 3 1992 Index No.	Day's Change %	Est. Earnings Yield% (Max.)	Gross Div. Yield% (Act at (25%)	Est. P/E Ratio (Net)	xd adj. 1992 to date	Tue Jun 2 Index No.	Mon Jun 1 Index No.	Fri May 29 Index No.	Year ago (approx) Index No.
1 CAPITAL GOODS (179)	891.08	-0.5	6.61	5.23	19.71	15.19	895.70	898.12	902.09	829.89
2 Building Materials (22)	1034.11	-0.9	5.35	5.72	25.95	19.03	1044.00	1051.44	1057.92	1053.87
3 Contracting, Construction (28)	987.34	-1.4	3.58	6.12	59.93	24.60	1001.31	1007.60	1017.28	1278.24
4 Electricals (8)	2694.65	-0.6	6.40	5.72	20.32	68.82	2711.33	2677.78	2715.02	2407.48
5 Electronics (29)	1977.52	-0.4	9.06	4.30	13.99	7.29	1985.96	1987.36	1997.58	1761.34
6 Engineering-Aerospace (7)	383.37	-0.7	9.07	6.77	14.06	11.16	386.10	388.78	390.05	427.56
7 Engineering-General (44)	565.40	+0.7	7.32	4.21	16.96	8.24	561.29	561.62	564.03	445.24
8 Metals and Metal Forming (8)	364.81	+0.2	0.90	9.46	-	2.03	364.19	364.10	363.09	461.12
9 Motors (14)	392.43	-1.1	6.78	5.99	19.41	10.04	396.69	394.83	393.51	325.59
10 Other Industrial Materials (19)	1821.52	-0.6	6.80	4.55	17.71	33.79	1832.35	1839.42	1846.78	1514.10
21 CONSUMER GROUP (188)	1717.32	-1.1	7.08	3.35	17.33	20.48	1737.01	1735.51	1737.11	1478.77
22 Brewers and Distillers (24)	2206.90	-1.7	7.60	3.36	15.82	26.21	2244.83	2243.52	2246.40	1824.48
25 Food Manufacturing (17)	1276.68	-0.6	8.33	4.11	14.87	21.18	1284.78	1281.71	1279.94	1184.11
26 Food Retailing (18)	2927.77	-0.6	8.33	3.12	15.58	34.95	2946.69	2941.70	2938.00	2745.88
27 Health and Household (24)	4149.92	-1.5	6.64	2.56	17.15	35.91	4214.58	4226.60	4220.97	3486.20
29 Hotels and Leisure (20)	1392.59	-0.9	5.68	4.87	22.81	23.50	1405.31	1401.54	1403.77	1295.04
30 Media (25)	1658.28	-0.3	5.77	3.35	21.51	18.30	1663.12	1653.51	1657.76	1414.34
31 Packaging, Paper & Printing (17)	847.46	-0.4	6.13	3.90	19.83	11.84	851.24	849.26	850.42	692.36
34 Stores (33)	1091.95	-1.2	6.94	3.36	19.09	12.26	1105.29	1102.87	1110.08	913.56
35 Textiles (10)	732.43	-0.8	6.28	4.24	20.09	12.44	738.22	738.76	739.50	532.39
40 OTHER GROUPS (116)	1330.41	-0.7	9.21	4.90	13.61	17.76	1339.73	1332.14	1341.30	1243.11
41 Business Services (17)	1508.06	+0.3	6.48	4.22	19.46	15.14	1503.18	1493.07	1489.82	1202.41
42 Chemicals (22)	1551.93	-0.4	6.88	4.70	17.83	31.75	1557.99	1558.32	1568.68	1401.95
43 Conglomerates (11)	1406.91	-1.5	9.18	6.75	13.60	23.62	1428.75	1419.71	1435.79	1516.30
44 Transport (14)	2691.82	+0.1	6.91	4.30	17.71	40.88	2688.11	2681.17	2704.01	2185.92
45 Electricity (16)	1324.61	-0.8	13.57	4.97	9.51	17.21	1335.35	1322.84	1317.86	1250.49
46 Telephone Networks(4)	1458.89	-1.2	10.51	4.46	12.42	16.02	1476.50	1462.95	1484.58	1482.79
47 Water(10)	2885.42	+0.1	14.82	5.67	7.46	19.52	2882.30	2883.57	2913.08	2436.41
48 Miscellaneous (22)	2138.47	-0.8	5.52	4.61	23.94	22.54	2156.19	2141.87	2142.05	1896.46
49 INDUSTRIAL GROUP (483)	1389.74	-0.9	7.66	4.19	16.30	18.51	1402.09	1399.70	1404.52	1246.49
51 Oil & Gas (17)	2151.34	-0.6	7.05	6.61	18.64	63.69	2165.14	2175.60	2189.69	2396.84
59 500 SHARE INDEX (500)	1462.07	-0.9	7.60	4.44	16.51	21.93	1474.70	1473.17	1478.70	1344.47
61 FINANCIAL GROUP (86)	785.38	-0.5	-	5.79	-	19.04	789.03	779.56	780.32	790.51
62 Banks (9)	1012.90	+0.1	4.76	5.39	33.22	24.58	1012.23	998.69	994.38	886.66
65 Insurance (Life) (6)	1527.75	-1.7	-	5.83	-	44.26	1554.06	1531.68	1532.39	1469.11
66 Insurance (Composite) (7)	547.70	+0.2	-	6.35	-	13.46	546.78	531.96	530.87	657.83
67 Insurance (Brokers) (10)	971.34	-2.6	8.03	6.90	16.38	25.92	997.38	994.77	995.96	1093.22
68 Merchant Banks (7)	513.94	-0.1	-	4.14	-	8.56	514.28	513.45	517.28	419.46
69 Property (32)	693.96	-1.6	8.41	6.64	16.02	16.55	705.14	706.14	721.10	943.73
70 Other Financial (15)	267.28	+0.2	6.81	6.50	19.92	4.34	266.66	267.16	268.92	281.37
71 Investment Trusts (69)	1248.69	-0.4	-	3.59	-	16.78	1253.91	1250.77	1256.56	1216.30
99 ALL-SHARE INDEX (655)	1299.93	-0.8	-	4.58	-	20.88	1310.39	1307.28	1311.79	1210.88

	Index No.	Day's Change	Day's High (a)	Day's Low (b)	Jun 2	Jun 1	May 29	May 28	May 27	Year ago
FT-SE 100 SHARE INDEX‡	2680.9	-25.0	2708.4	2675.3	2705.9	2697.6	2707.6	2694.2	2698.6	2521.5

FIXED INTEREST

PRICE INDICES	Wed Jun 3	Day's change %	Tue Jun 2	Accrued interest	xd adj. 1992 to date
British Government					
1 Up to 5 years (25)	123.37	-0.17	123.58	2.68	4.62
2 5-15 years (24)	139.34	-0.70	140.33	2.78	5.45
3 Over 15 years (10)	152.19	-1.08	153.85	3.65	3.39
4 Irredeemables (6)	166.99	-0.76	168.26	1.11	6.35
5 All stocks (65)	137.03	-0.58	137.82	2.87	5.04
Index-Linked					
6 Up to 5 years (2)	172.71	....	172.70	0.67	1.83
7 Over 5 years (9)	153.48	-0.32	153.98	1.19	1.64
8 All stocks (11)	154.95	-0.27	155.37	1.11	1.65
9 Debs & Loans (63)	121.35	-1.07	122.66	1.85	5.48

AVERAGE GROSS REDEMPTION YIELDS		Wed Jun 3	Tue Jun 2	Year ago (approx.)
British Government				
1 Low	5 years	8.01	7.93	9.32
2 Coupons	15 years	8.90	8.80	9.94
3 (0%-7¾%)	20 years	8.91	8.80	10.08
4 Medium	5 years	9.18	9.08	10.46
5 Coupons	15 years	8.98	8.85	10.39
6 (8%-10¾%)	20 years	8.93	8.81	10.31
7 High	5 years	9.37	9.27	10.63
8 Coupons	15 years	9.18	9.03	10.55
9 (11%-)	20 years	9.12	8.97	10.43
10 Irredeemables	†	9.09	9.02	10.33
Index-Linked				
11 Inflation rate 5%	Up to 5yrs	3.99	3.98	4.21
12 Inflation rate 5%	Over 5 yrs	4.31	4.29	4.25
13 Inflation rate 10%	Up to 5 yrs	3.29	3.28	3.33
14 Inflation rate 10%	Over 5 yrs	4.13	4.11	4.07
15 Debs &	5 years	10.43	10.32	11.88
16 Loans	15 years	10.23	10.07	11.65
17	25 years	10.12	9.99	11.45

‡Opening index 2695.0; 9 am 2697.4; 10 am 2704.4; 11 am 2707.3; Noon 2706.8; 1 pm 2697.1; 2 pm 2680.1; 2.30 pm 2682.4; 3 pm 2675.4; 4.10 pm 2681.1; (a) 11.44am (b) 3.03pm † Flat yield. Highs and lows record, base dates, values and constituent changes are published in Saturday issues. A list of constituents is available from the Publishers, The Financial Times, Number One, Southwark Bridge, London SE1 9HL. The FT-ACTUARIES SHARE INDICES SERVICE covers a range of electronic and paper-based products relating to these indices. These are available by subscription from FINSTAT, 2nd Floor, 126 Jermyn Street, London SW1Y 4UJ. Tel: 071-925 2323.

NEW HIGHS AND LOWS FOR 1992

NEW HIGHS (88).
BRITISH FUNDS (1) Funding 6pc '93, BANKS (4) HSBC, Midland, NatWest, TSB Channel [illegible]

LONDON SHARE SERVICE

BRITISH FUNDS

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
"Shorts" (Lives up to Five Years)							
[illegible]							
Five to Fifteen Years							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
Treas 10½pc 1999		[illegible]				9.86	9.19
Over Fifteen Years							
Undated							
[illegible]							

BRITISH FUNDS - Cont.

	Notes	Price £	+or -	1992 high	1992 low	Yield (1)	Yield (2)
Index-Linked							
[illegible]							

Prospective real redemption rate on projected inflation of (1) 10% and (2) 5%. (b) Figures in parentheses show RPI base for indexing, (ie 8 months prior to issue) and have been adjusted to reflect rebasing of RPI to 100 in January 1987. Conversion factor 3.945. RPI for September 1991: 134.6 and for April 1992: 138.8

OTHER FIXED INTEREST

	Notes	Price £	+or -	1992 high	1992 low	Yield Int.	Yield Red.
African Dev 11⅛ 2010		114½	-½	115⅝	105⅞	9.72	9.41
Asian Dev 10¼pc 2009		108⅞	-1⅛	[illegible]	100⅞	9.45	9.24
B'ham 11½pc 2012		111	—	111	102⅞	10.36	10.21
Ireland Cap 8½pc '10		88¾	-⅝	88¾	86⅞	9.59	-
9pc Cap 1996		98½		99¾	90	9.17	-
13pc '97-02		104	-¼	116½	104	12.50	-
Hydro Quebec 15pc 2011		139⅞	-1⅞	149⅞	130⅞	10.75	10.22
Int-Am Dev 12½pc 2003		128⅞	-½	[illegible]	112⅞	10.38	9.40
9¾pc 2015		103⅞	-⅞	104⅞	95½	9.38	9.32
Leeds 13½pc 2006		122½	-1	124½	116¾	10.93	10.34
Liverpool 3½pc Irred		32½	-½	33¼	30	10.77	-
LCC 3pc '20 Aft		30¼	-¼	30¾	27	9.92	-
Manchester 11½pc 2007		109¾	-¼	110½	103¼	10.48	10.23
Met. Wtr. 3pc 'B'		58¼		58¼	53	5.11	8.98
N'wide Anglia 3⅞pc 2021		119	-¼	119¾	103¼	-	5.38
4⅛pc IL 2024		109¾	-½	118¼	103¼	-	5.11
Utd Mex States 16½pc 2008		128½	-1	128	121½	13.38	12.97

Prices for electricity determined for the purposes of the electricity pooling and settlement arrangements in England and Wales.

½ hour period ending	Provisional Price for Trading on 04.06.92: Pool purchase price £/MWh	Final Prices for Trading on 07.05.92: Pool purchase price £/MWh	Pool selling price £/MWh
0030	17.73	17.15	17.15
0100	17.73	17.14	17.14
0130	17.73	17.19	17.19
0200	17.48	18.19	19.25
0230	17.48	18.19	19.25
0300	17.48	18.19	19.24
0330	17.48	17.19	17.18
0400	17.48	17.16	17.16
0430	17.48	17.15	17.15
0500	17.48	17.15	17.16
0530	17.45	17.14	17.14
0600	17.45	17.14	17.14
0630	17.50	17.19	17.19
0700	17.87	19.83	19.91
0730	23.76	20.47	21.61
0800	23.82	22.82	24.03
0830	24.51	24.16	26.39
0900	25.90	26.12	27.40
0930	27.88	23.97	25.18
1000	27.88	24.15	26.37
1030	27.88	24.16	25.37
1100	27.84	24.17	25.36
1130	27.89	24.17	25.36
1200	28.08	26.13	27.38
1230	28.08	26.13	27.38
1300	28.07	24.18	25.35
1330	25.90	23.96	25.13
1400	25.89	23.43	24.60
1430	24.45	22.77	23.92
1500	23.82	21.94	23.07
1530	24.66	22.77	23.93
1600	24.66	22.77	23.92
1630	25.90	22.77	23.92
1700	29.00	23.43	24.60
1730	29.00	23.43	24.60
1800	24.66	22.90	24.06
1830	23.78	22.90	24.07
1900	23.78	22.75	23.92
1930	23.66	22.75	23.93
2000	23.16	20.47	21.58
2030	22.06	20.47	21.58
2100	18.51	26.10	27.37
2130	27.88	26.21	27.45
2200	27.88	26.21	27.45
2230	27.88	26.21	27.48
2300	19.90	19.83	20.72
2330	19.85	19.57	20.67
2400	17.73	17.19	17.19

Prices are determined for every half-hour in each twenty-four hour period. Prices are in pounds per megawatt-hour, rounded to two decimal places. To convert prices to pence per kilowatt-hour the decimal point should be moved one place to the left, eg £18.88/MWh becomes 1.888p/KWh. Provision for the determination of pool prices is made in the Pooling and Settlement Agreements which govern the operation of the electricity pool in England and Wales. The Pool Purchase Price is the basis of the majority of payments made to generators in respect of electricity traded through the pool. The provisional Pool Purchase Price is subject to revision or correction until final pool prices are determined approximately twenty-four days after the day of trading. Pool Selling Price is the price paid by purchasers of electricity under the pool trading arrangements. It is dependent upon the determination of Pool Purchase Price. Final pool prices are also capable of revision.
NGC Settlements Limited

AMERICANS

Notes	Price £	+ or -	1992 high	1992 low	Mkt Cap£m	Yld Gr's
Abbott Labs h	[illegible]	[illegible]	[illegible]	17	[illegible]	1.9
♥Allegheny & W	[illegible]	+8	[illegible]	226p	[illegible]	5.5
Amdahl	[illegible]	-29	[illegible]	815p	[illegible]	0.6
Amer Cyanamid	[illegible]	[illegible]	37	[illegible]	2,964	2.9
Amer Express	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	4.4
Amer T & T	[illegible]	[illegible]	[illegible]	[illegible]	[illegible]	3.2
Ameritech	[illegible]	[illegible]	[illegible]	[illegible]	14,973	5.8
BankAmerica	[illegible]	[illegible]	[illegible]	[illegible]	8,575	2.9
Bankers NY	[illegible]	[illegible]	[illegible]	[illegible]	2,585	6.7
Bell Atlantic	[illegible]	[illegible]	[illegible]	[illegible]	18,274	6.2
BellSouth	[illegible]	[illegible]	[illegible]	25	12,830	5.9
♥Bethlehem Steel	[illegible]	[illegible]	[illegible]	7	577.9	-
Bowater	1237pxd	-7	1579p	1078p	445.8	5.5
CPC h	[illegible]	[illegible]	[illegible]	[illegible]	3,015	2.8
♥Cadiz Land Inc	248p	-	342p	168p	-	-
California Engy	[illegible]	-	[illegible]	648p	124.7	-
Campbell Soup	[illegible]	[illegible]	[illegible]	[illegible]	4,924	2.4
Chase Manhattan	[illegible]	[illegible]	[illegible]	[illegible]	2,101	4.4
Chrysler	[illegible]	[illegible]	[illegible]	[illegible]	3,105	3.2
Citicorp	[illegible]	[illegible]	11	[illegible]	3,722	-
Colgate-Palm	[illegible]	[illegible]	[illegible]	[illegible]	4,015	2.1
Cont'l Bank	[illegible]	+12	[illegible]	489p	1,065	3.4
Dana	[illegible]	[illegible]	[illegible]	[illegible]	948.4	3.9
Data General	447p	-7	[illegible]	431p	123.3	-
Dial	[illegible]	[illegible]	[illegible]	[illegible]	812.9	3.1
Dun & Brad	[illegible]	[illegible]	[illegible]	[illegible]	5,391	4.3
Eaton	[illegible]	[illegible]	[illegible]	[illegible]	1,537	2.7
Echlin	[illegible]	[illegible]	11	[illegible]	882.5	3.8
FPL	[illegible]	[illegible]	28	[illegible]	3,252	7.2
Fluor	[illegible]	[illegible]	27	21	1,800	1.0
Ford Motor	[illegible]	[illegible]	[illegible]	15	12,270	2.2
Gen Elect	[illegible]	[illegible]	[illegible]	[illegible]	35,887	2.8
♥General Host	486p	+8	558p	360p	-	4.1
Gillette	[illegible]	[illegible]	[illegible]	[illegible]	5,668	1.5
Hasbro	16	[illegible]	18	[illegible]	1,378	0.7
Honeywell	[illegible]	[illegible]	43	[illegible]	2,814	2.3
Houston Inds	[illegible]	-	25	23	2,843	7.1
IBM	[illegible]	[illegible]	[illegible]	[illegible]	28,515	5.5
Ingersoll-Rand h	17xc	[illegible]	[illegible]	[illegible]	1,783	2.2
Lockheed	[illegible]	-	[illegible]	[illegible]	1,587	4.9
Lowe's	2458p	+2	2478p	1631p	888.1	1.3
Merrill Lynch	[illegible]	[illegible]	[illegible]	[illegible]	2,764	2.1
Morgan (JP)	[illegible]	[illegible]	[illegible]	[illegible]	5,824	3.9
Morris (Philip)	[illegible]	[illegible]	[illegible]	[illegible]	38,748	2.8
NYNEX	[illegible]	[illegible]	[illegible]	[illegible]	8,007	6.2
For Pacific Agricultural see Cadiz Land Inc						
Pall	[illegible]	-	[illegible]	[illegible]	1,000	1.6
Pennzoil	[illegible]	[illegible]	[illegible]	[illegible]	1,875	6.4
Quaker Oats	[illegible]	[illegible]	[illegible]	[illegible]	2,302	3.1
Rockwell	[illegible]	[illegible]	[illegible]	[illegible]	2,801	4.1
Rep NY	[illegible]	[illegible]	[illegible]	[illegible]	1,292	2.3
Sears, Roebuck	[illegible]	[illegible]	28	[illegible]	8,864	4.8
Sthwestern Bell	[illegible]	-	[illegible]	[illegible]	10,058	4.9
Sun Co	[illegible]	[illegible]	[illegible]	[illegible]	1,624	6.5
Tenneco	[illegible]	[illegible]	[illegible]	[illegible]	2,728	4.1
Texaco	[illegible]	[illegible]	[illegible]	[illegible]	9,848	5.1
Time Warner	[illegible]	[illegible]	[illegible]	[illegible]	3,291	1.0
♥Unisb	471p	-	587p	440p	487.5	-
Utd Tech	[illegible]	[illegible]	[illegible]	27	3,468	3.6
♥UtiliTech	98p	-	122p	66p	-	-
♣URS Intl. 1c	[illegible]	-	[illegible]	[illegible]	2.38	-
US West	[illegible]	[illegible]	[illegible]	[illegible]	6,645	6.1
Varity	[illegible]	+53	[illegible]	632p	284.8	-
Waste Managm	[illegible]	[illegible]	25	[illegible]	8,749	1.3
Whirlpool	2267pxd	+19	2788p	2021p	1,800	2.7
♥Woolworth	[illegible]	[illegible]	[illegible]	[illegible]	1,947	4.1

CANADIANS

[illegible]

BANKS

[illegible]

BREWERS & DISTILLERS

[illegible]

BUILDING MATERIALS

[illegible]

BUILDING MATERIALS - Cont.

[illegible]

BUSINESS SERVICES

[illegible]

CHEMICALS

[illegible]

CONGLOMERATES

[illegible]

CONTRACTING & CONSTRUCTION

[illegible]

CONTRACTING & CONSTRUCTION - Cont.

[illegible]

ELECTRICALS

[illegible]

ELECTRICITY

[illegible]

ELECTRONICS

[illegible]

ENGINEERING - AEROSPACE

[illegible]

ENGINEERING - GENERAL

[illegible]

ENGINEERING - GENERAL - Cont.

[illegible]

FOOD MANUFACTURING

[illegible]

FOOD RETAILING

[illegible]

HEALTH & HOUSEHOLD

[illegible]

HOTELS & LEISURE

[illegible]

HOTELS & LEISURE - Cont.

[illegible]

INSURANCE BROKERS

[illegible]

INSURANCE COMPOSITE

[illegible]

INSURANCE LIFE

[illegible]

INVESTMENT TRUSTS

Authorised by the Inland Revenue

[illegible]

INVESTMENT TRUSTS - Cont.

[illegible]

LONDON SHARE SERVICE

INVESTMENT TRUSTS - Cont.

MERCHANT BANKS

METALS & METAL FORMING

MISCELLANEOUS

INVESTMENT COMPANIES

MEDIA

MOTORS

OIL & GAS

OIL & GAS - Cont.

OTHER FINANCIAL

OTHER INDUSTRIAL MATERIALS

PACKAGING, PAPER & PRINTING

PACKAGING, PAPER & PRINTING - Cont.

PROPERTY

STORES - Cont.

TELEPHONE NETWORKS

TEXTILES

TRANSPORT

WATER

SOUTH AFRICANS

PLANTATIONS

MINES

MINES - Cont.

GUIDE TO LONDON SHARE SERVICE

pre-closing share price. The NAV basis assumes prior charges at par value, convertibles converted and warrants exercised if dilution occurs.

- ■ Indicates the most actively traded stocks. This includes UK stocks where transactions and prices are published continuously through the Stock Exchange Automated Quotation system (SEAQ), and non-UK stocks which are quoted on SEAQ International
- ● "Tap Stock"
- * Highs and lows marked thus have been adjusted to allow for rights issues for cash
- † Interim since increased or resumed
- ‡ Interim since reduced, passed or deferred
- ‡‡ Tax-free to non-residents on application
- ◆ Figures or report awaited
- ψ Not officially UK listed; dealings permitted under rule 535(4)(a)
- ‡ USM; not listed on Stock Exchange and company not subjected to same degree of regulation as listed securities.
- †† Not officially UK listed; dealings permitted under Rule 535(2)
- ß Price at time of suspension
- ¶ Indicated dividend yield after pending scrip and/or rights issue.
- ◆ Merger bid or reorganisation in progress
- § Forecast dividend yield; p/e based on earnings updated by latest interim statement.
- ♠ Unregulated collective investment scheme.

a Yield based on annualised dividend. b Figures based on prospectus or other official estimates. c Cents. f Flat yield. g Assumed dividend yield after rights issue. h Assumed dividend yield after scrip issue. n Rights issue pending. q Earnings based on preliminary figures. s Dividend yield excludes a special payment. t Indicated dividend yield, p/e ratio based on latest annual earnings. u Forecast, or estimated annualised dividend yield, p/e based on previous year's earnings. v Subject to local tax. z Dividend yield includes a special payment. E Minimum tender price. F Yield based on prospectus or other official estimates for 1990-91. G Assumed yield after pending scrip and/or rights issue. H Yield based on prospectus or other official estimates for 1991. K Yield based on prospectus or other official estimates for 1992-93. L Estimated annualised yield, p/e based on latest annual earnings. M Yield based on prospectus or other official estimates for 1991-92. N Yield based on prospectus or other official estimates for 1992. P Figures based on prospectus or other official estimates for 1991. R Forecast annualised yield, p/e based on prospectus or other official estimates. T Figures assumed. W Pro forma figures. Z Dividend yield to date.

Abbreviations: xd ex dividend; xc ex scrip issue; xr ex rights; xa ex all; xi ex capital distribution.

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AIB Unit Trust Managers Limited (1000)F
51 Belmont Rd, Uxbridge, Middx UB8 1RZ 0895 259783

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
AIB Grofund American	5	114.0	115.3	121.3	-1.40	0.00
AIB Grofund Equity	5	184.2	186.4xd	197.3	....	2.33
AIB Grofund Euro	5	136.0	138.0	145.2	-0.20	0.85
AIB Grofund Gilt	3	74.29	74.29	76.58	-0.11	5.02
AIB Grofund Japan	5	109.5	110.7	116.5	-0.20	0.00

Abbey Unit Tst Mngrs (1000)H
80 Holdenhurst Rd, Bournemouth 0345 717373

	Init Charge	Canc Price	Bid Price	Offer Price	+ or -	Yield Gr's
High Income						
Gilts & Fixed Int	6	119.6	119.6xd	126.9	-0.3	8.16
High Inc Equity	6	135.5	138.4	147.2	....	5.77
Worldwide Bond	6	214.7	214.7xd	227.6	+0.1	6.25
Capital Growth						
American Growth	6	203.0	203.0	217.1	-1.2	.98
Asian Pacific	6	149.2	152.1	161.8	-1.0	1.25
Assets & Earnings	6	198.0	202.1xd	214.9	+0.4	2.91
Capital Reserve Acc	0	115.8	115.8	115.9	....	7.75
Capital Reserve Inc	0	85.66	85.66	85.73	+0.01	7.75
Commdty & Energy	6	65.76	65.76	70.53	-0.34	1.22
1992 Enterprise	6	73.42	73.42	78.52	-0.19	2.98
Euro Capital Acc	6	92.86	92.86	99.31	+0.13	1.05
Euro Capital Inc	6	88.00	88.00	94.11	+0.13	1.06
General	6	183.5	183.5	196.2	-0.2	2.96
Japan	6	76.64	76.64	81.96	-0.15	-
Mastertrust	6	92.54	92.54	98.97	-0.08	2.48
UK Growth Acc	6	185.9	193.2	205.5	-0.2	2.53
UK Growth Dist	6	117.4	122.1	129.8	-0.1	2.53
US Emerging Cos	6	73.29	73.29	78.38	+0.29	-
Income & Growth	6	317.9	317.9xd	340.0	+0.5	4.12

Guide to pricing of Authorised Unit Trusts

Compiled with the assistance of Lautro §§

INITIAL CHARGE: Charge made on sale of units. Used to defray marketing and administrative costs, including commission paid to intermediaries. This charge is included in the price of units.

OFFER PRICE: Also called issue price. The price at which units are bought by investors.

BID PRICE: Also called redemption price. The price at which units are sold back by investors.

CANCELLATION PRICE: The minimum redemption price. The maximum spread between the offer and bid prices is determined by a formula laid down by the government. In practice, most unit trust managers quote a much narrower spread. As a result, the bid price is often set above the cancellation price. However, the bid price might be moved to the cancellation price by the managers at any time, usually in circumstances in which there is a large excess of sellers of units over buyers.

TIME: The time shown alongside the fund manager's name is the time of the unit trust's valuation point unless another time is indicated by the symbol alongside the individual unit trust name. The symbols are as follows: (♥) - 0001 to 1100 hours; (♦) - 1101 to 1400 hours; (♣) - 1401 to 1700 hours; (♠) - 1701 to midnight. Daily dealing prices are set on the basis of the valuation point; a short period of time may elapse before prices become available.

HISTORIC PRICING: The letter H denotes that the managers will normally deal on the price set on the most recent valuation. The prices shown are the latest available before publication and may not be the current dealing levels because of an intervening portfolio revaluation or a switch to a forward pricing basis. The managers must deal at a forward price on request, and may move to forward pricing at any time.

FORWARD PRICING: The letter F denotes that the managers deal at the price to be set on the next valuation. Investors can be given no definite price in advance of the purchase or sale being carried out. The prices appearing in the newspaper are the most recent provided by the managers.

SCHEME PARTICULARS AND REPORTS: The most recent report and scheme particulars can be obtained free of charge from fund managers.

Other explanatory notes are contained in the last column of the FT Managed Funds Service.

§§ Life Assurance and Unit Trust Regulatory Organisation,
Centre Point,
103 New Oxford Street, London WC1A 1QH
Tel: 071 – 379 – 0444.

FT MANAGED FUNDS SERVICE

● Current Unit Trust prices are available on FT Cityline. Calls charged at 36p/minute cheap rate and 48p/minute at all other times. To obtain a free Unit Trust Code Booklet ring (071) 925-2128.

	Init Chrge	Canc Price	Bid Price	Offer Price	+ or -	Yield Grs
Stewart Ivory Unit Tst Mgrs Ltd (1200)H						
45 Charlotte Sq, Edinburgh 031-226 3271						
American ▼	5	269.2	269.2	286.4	-1.6	0.79
(Accum Units) ▼	5	316.8	316.8	337.2	-1.9	0.79
British	5	879.6	896.8	948.8	+2.3	5.27
(Accum Units)	5	1475.1	1503.9	1591.1	+3.8	5.27
European	5	341.6	341.6	363.0	-0.3	1.43
(Accum Units)	5	370.3	370.3	393.5	-0.29	1.43
Japan	5	97.81	97.81	104.1	+0.5	-
(Accum Units)	5	98.59	98.59	104.9	+0.5	-
New Pacific	5	209.9	209.9xd	224.0	+0.2	1.57
(Accum Units)	5	237.2	237.2	251.8	+2.0	1.57
Investment Fd May 27	5	163.8	163.8	175.0	----	3.51
Mngd Equity	5	132.5	133.9	141.7	----	2.72
Mngd Equity Acc	5	140.6	142.1	150.3	----	2.72
Mngd Cash	0	96.53	96.53	96.53	----	9.35
(Accum Units)	0	121.2	121.2	121.2	----	9.35
Majority Stkp	1	100.66	100.66	101.67	+0.08	9.25
Majority Stkp Acc	1	111.63	111.63	112.75	+0.08	9.25
Storebrand Intl Inv Mngrs Ltd (1200)F						
Admin: 5 Rayleigh Rd, Hutton, Brentwood, Essex						
Enquiries: 0277 227300 Dealing: 0277 261010						
International Jun 1	0	50.20	50.20	50.67	----	1.75
Sun Alliance Unit Tst Mngmt Ltd (1200)F						
St Mark's Court, Horsham 0403 232323						
Equity	6	652.8	660.0	705.9	-1.5	2.80
North America	6	80.99	80.99	86.62	-0.13	0.39
Far East	6	89.02	89.02	95.20	-0.10	0.56
W'wide Bond	6	47.36	47.36	50.38	-0.11	6.24
European	6	69.67	69.67	74.51	-0.30	1.18
Equity Income	6	71.48	71.48xd	76.45	+0.12	5.23
Portfolio	6	60.02	60.02	64.19	-0.13	1.65
UK Leading Cos	6	46.77	47.38	50.40	----	2.84
Dealer Trusts						
Worldwide Growth	6	47.00	47.00	50.00	----	2.25
Intl Equity ▼	6	46.32	46.65	49.89	+0.12	2.74
Sun Life of Canada Unit Mgrs Ltd (1000)H						
Basingview, Basingstoke, Hants 0800 525725						
American Growth	6	25.87	25.87	27.67	-0.44	0.65
Managed Assets	6	106.53	107.12	114.57	-0.40	3.27
UK Income	6	33.12	33.40xd	35.81	-0.02	4.36
UK Growth	6	33.74	34.06	36.43	-0.13	3.46

	Bid Price	Offer Price	+ or -	Yield Gross
Local Authorities Mutual Invest. Tst.*				
2 Fore Street, London EC2Y 5AQ 071-588 1815				
Property May 31	290.23	294.05	+2.1	8.27
Equity May 31	922.95	935.85	+17.25	3.76
* Available only to Local Authorities				
M & G Securities Ltd				
Charifund June 2		105.99	----	10.17
(Accum Units)		658.8	-0.4	10.17
NAACIF Jun 2		42.75	-0.3	9.07
Morgan Grenfell Investment Funds Ltd				
Exempt Funds				
UK Equity † June 2	140.3	150.5	----	1.79
UK Small Co † June 2	564.5	617.6	----	3.24
Fixed Interest † June 2	111.0	114.9	----	8.55
US Small Co June 2	154.1	164.9	----	0.00
Managed June 2	115.7	123.7	----	3.46
Intl Bond June 2	120.7	127.4	----	10.08
Japan June 2	61.68	65.75	----	4.84
European June 2	93.68	100.1	----	1.68
Nth American June 2	113.7	122.4	----	1.29
Murray Johnstone UT Mngmt				
Murray Exempt Funds				
American Exempt	54.28	56.46	-0.56	1.68
European Exempt	54.03	56.74	-0.09	2.38
Fixed Int Ex Jun 3	47.17	48.94xd	-1.78	8.94
Japan Exempt	37.83	39.36xd	+0.19	0.80
Managed Ex May 28	47.98	49.91	----	3.94
SE Asia Exempt	83.73	87.92	-0.10	2.16
Sm Cos Expt Jun 3	38.44	40.37xd	-0.20	3.07
UK Eqty Ex Jun 3	46.64	48.98	-0.45	3.64
Phillips & Drew Fund Management Ltd				
Small Co's Jun 3	736.91	783.90	+24.79	3.76
Do Accum	886.26	915.16	+28.90	3.76
Intl Expt May 28	192.77	196.90	----	1.72
UK Index Jun 3	1304.35	1388.41	+25.10	4.44
Do Accum	1406.17	1494.08	+28.00	4.44
Convertible June 2	100.63	103.65	----	7.79
World ex UK Index Jun 2	748.15	756.76	----	2.20
Do Accum	748.15	756.76	----	2.20
Japan Index June 2	449.14	455.76	----	1.02
Do Accum	450.91	457.56	----	1.02
USA Index June 2	1043.78	1059.73	----	2.97

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	Bid Price	Offer Price	+ or -	Yield Gross
Pearl Assurance (Unit Funds) Ltd				
Lynch Wood, Peterborough PE2 6FY 0733 470470				
Property Dist. (Gross)	134.9	142.0	----	-
Property Acc. (Gross)	257.1	270.7	+0.1	-
Equity (Gross)	930.1	979.0	-1.2	-
Managed (Gross)	642.9	676.7	-0.6	-
Property Acc. (Net)	122.9	129.4	----	-
Equity (Net)	214.7	226.0	-0.3	-
Managed (Net)	197.0	207.3	-0.2	-
International (net)	168.9	177.7	-0.6	-
Gilt & Fixed Interest	141.0	148.5	-0.2	-
Money Fund	139.2	146.5	----	-
Mixed Fund (Cap)	122.9	129.4	----	-
Mixed Fund (Acc)	127.0	133.7	----	-
Adventurous Managed	96.7	101.8	+0.3	-
Cautious Managed	95.9	101.0	----	-
Pearl Assurance (Unit Linked Pens) Ltd				
Ret Man (Series 1)	700.7	737.6	-1.3	-
Ret Man (Series 2)	237.6	250.2	-0.4	-
Ret Cash	195.8	206.1	+0.1	-
Pens Mixed Fd (Cap)	137.6	144.9	----	-
Pens Mixed Fd (Acc)	142.2	149.7	----	-
Pens Stig Fd (Cap)	103.4	108.9	----	-
Pens Stig Fd (Acc)	106.8	112.5	----	-
Pegasus Assurance Ltd				
Broad Quay, Bristol BS1 4DJ 0272 230271				
Life Funds				
Managed Aggressive	105.2	110.8	+0.3	-
Managed Balanced	102.8	108.2	+0.2	-
Managed Cautious	113.8	119.8	-0.1	-
Pension Funds				
Managed Aggressive	110.1	115.9	+0.3	-
Managed Balanced	107.8	113.6	+0.3	-
Managed Cautious	118.4	124.7	-0.1	-

For Pioneer Mutual see Swiss Pioneer

Premium Life Assurance Co Ltd
37-39, Perrymount Road, Haywards Heath 0444 458721

	Bid Price	Offer Price	+ or -	Yield Gross
Provident Mutual Life Assc. Assn.—Contd.				
Index Linked Gilt Init	128.4	135.2	-0.2	-
Overseas Equity Ord	273.3	287.7	-1.1	-
Overseas Equity Init	199.9	210.4	-0.9	-
Property Ord	221.3	232.9	-0.3	-
Property Init	161.8	170.3	-0.2	-
Fixed Interest Ord	229.4	241.5	-0.6	-
Fixed Interest Init	167.8	176.6	-0.5	-
Deposit Ord	186.1	195.9	----	-
Deposit Init	136.1	143.3	----	-
Pension Funds				
Managed Ord	480.6	505.9	-0.5	-
Managed Init	351.5	370.0	-0.4	-
Equity Ord	759.0	798.9	+0.1	-
Equity Init	555.1	584.3	----	-
Pen Ind Lkd Gilt Ord	189.7	199.7	-0.2	-
Pen Ind Lkd Gilt Init	144.9	152.5	-0.2	-
Overseas Equity Ord	311.0	327.4	-1.4	-
Overseas Equity Init	227.4	239.4	-1.1	-
Property Ord	278.5	293.2	-0.3	-
Property Init	203.7	214.4	-0.2	-
Fixed Interest Ord	291.6	306.9	-0.8	-
Fixed Interest Init	213.3	224.5	-0.6	-
Deposit Ord	266.8	280.8	----	-
Deposit Init	195.1	205.4	----	-
Prudential Assurance Co				
Holborn Bars, London EC1N 2NH 071-405 9222				
Prufund				
Managed May 27	270.8	282.1	+0.4	-
Prudential Corporate Pension Funds				
1 Stephen St, London W1P 2AP 071-548 3281				
Prudential Managed Funds				
Discretionary May 27	£194.37	200.46	----	-
Equity May 27	£227.10	234.90	----	-
International May 27	£27.31	27.90	----	-
Intl Bond May 27	£14.24	14.43	----	-
Fixed Int May 27	£105.79	106.97	----	-
Index Linked May 27	£76.58	77.55	----	-

	Bid Price	Offer Price	+ or -	Yield Gross
J. D. Ward Financial Services Ltd				
9 Kingsway, London, WC2 B6XF 071-836 4321				
J.D. Ward Mngd Bond	194.8	210.6	----	-
J.D. Ward Mngd Pens	124.8	134.8	----	-
Albany Life Acc	199.5	210.0	-0.8	-
Albany Pens Acc	258.8	272.4	-1.4	-
M&G Tripos Pen Acc	192.8	202.5	-0.1	-
[illegible]	185.7	195.4	-3.9	-

Rothschild Asset Management—Contd.

Royal Bank of Canada Offshore Fd Mgrs Ltd
PO Box 246, St Peter Port, Guernsey

OFFSHORE INSURANCES

MANAGEMENT SERVICES

OFFSHORE AND OVERSEAS

BERMUDA (SIB RECOGNISED)

CANADA (SIB RECOGNISED)

GUERNSEY (SIB RECOGNISED)

GUERNSEY (REGULATED)

IRELAND (SIB RECOGNISED)

IRELAND (REGULATED)

ISLE OF MAN (SIB RECOGNISED)

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ISLE OF MAN (REGULATED)(**)

JERSEY (SIB RECOGNISED)

LUXEMBOURG (SIB RECOGNISED)

JERSEY (REGULATED)(**)

LUXEMBOURG (REGULATED)(**)

SWITZERLAND (SIB RECOGNISED)

OTHER OFFSHORE FUNDS

MANAGED FUNDS NOTES

CURRENCIES, MONEY AND CAPITAL MARKETS

FOREIGN EXCHANGES

Danish vote rocks currencies

THE D-MARK made significant gains against several European currencies yesterday after Denmark's decision not to ratify the Maastricht treaty threw foreign exchange markets into confusion, *writes James Blitz.*

The prospect that European monetary convergence has been delayed, or possibly abandoned, forced investors to unwind positions in sterling, the Italian lira and the French franc, and pledge themselves to what they see as the anchor currency of Europe – the D-Mark.

After very active trading in London, sterling ended the day two pfennings down from Tuesday's close, to DM2.9150. It also closed second from bottom of the European Monetary System grid, above the Danish krone, and nearly a cent down against the US dollar at $1.8165.

The Italian lira also took a ½ per cent loss against the D-Mark. The D-Mark ended the day at Lira 756.10 from a previous close of Lira 752.30. The French Franc also suffered, moving to FFr3.3680 against the D-Mark from a previous close of FFr3.3560. However, the French currency appeared to shrug off potential losses after President Francois Mitterrand announced that France would also be having a referendum on EMU later this year.

The Bank of Portugal was forced to intervene in the markets after Denmark's currency threatened to fall below its permitted limits in the European Monetary System. The Bank of Portugal bought D-Marks for escudos at 83.01, 83.05 and 83.06 escudos to dampen the Portuguese currency after it approached a 6.10 per cent differential against the Danish krone. The Danish authorities compounded this with a rise of 0.65 percentage points in money market rates, slowing the krone's descent. Denmark's currency ended the day at around DKr3.8650 against the D-Mark, from DKr3.840 on Tuesday.

Analysts are unsure about the immediate outlook for currency rates in the EMS. "The major part of the upward movement of the D-Mark has probably happened, and the situation should stabilise," said Mr Christian Dunis, a Treasury analyst at Chemical Bank in London. "But the markets are getting the impression that European union is an *a la carte* thing where countries can pick what they want, and this view will cost Emu a lot of credibility."

Others believe that the possibility of an EMS realignment is greater. "ERM realignment expectations can only be encouraged by overnight developments," said one London analyst. "One questions whether the commitment to current parities will be as durable without the external discipline provided by the convergence criteria." The Italian lira is often cited as a prime candidate for a devaluation.

£ IN NEW YORK

June 3	Close	Previous Close
£ Spot	1.8180-1.8190	1.8125-1.8135
1 month	0.92-0.91pm	0.94-0.92pm
3 months	2.76-2.73pm	2.66-2.63pm
12 months	8.83-8.73pm	8.62-8.52pm

Forward premiums and discounts apply to the US dollar

STERLING INDEX

	June 3	Previous
8.30 am	92.4	92.5
9.00 am	92.4	92.5
10.00 am	92.5	92.5
11.00 am	92.6	92.5
Noon	92.6	92.6
1.00 pm	92.5	92.5
2.00 pm	92.4	92.5
3.00 pm	92.4	92.5
4.00 pm	92.4	92.7

CURRENCY MOVEMENTS

Jun 3	Bank of England Index	Morgan** Guaranty Changes %
Sterling	92.4	-19.1
U.S Dollar	63.2	-15.2
Canadian Dollar	99.2	-3.1
Austrian Schilling	110.1	+12.1
Belgian Franc	111.4	-2.1
Danish Krone	109.3	+3.7
D-Mark	118.6	+24.8
Swiss Franc	105.4	+13.9
Dutch Guilder	114.4	+16.0
French Franc	104.5	-11.7
Lira	98.2	-20.2
Yen	142.5	+77.6
Peseta	108.1	-17.6

Morgan Guaranty changes: average 1980-1982=100. Bank of England Index (Base Average 1985=100). **Rates are for June 2

CURRENCY RATES

Jun 3	Bank § rate %	Special * Drawing Rights	European † Currency Unit
Sterling	–	0.768539	0.701839
U.S Dollar	3.50	1.39728	1.27629
Canadian $	6.62	1.68149	1.53309
Austrian Sch	7.50	15.8605	14.4426
Belgian Franc	8.50	46.4596	42.2390
Danish Krone	9.50	8.68340	7.92771
D-Mark	8.00	2.25297	2.05228
Dutch Guilder	8.50	2.53942	2.31163
French Franc	10¼	7.57186	6.91114
Italian Lira	12	1696.54	1550.06
Japanese Yen	3.75	177.734	162.983
Norway Krone	–	8.80286	8.01386
Spanish Peseta	–	140.497	128.325
Swedish Krona	10.00	8.12868	7.40060
Swiss Franc	7.00	N/A	1.87296
Greek Drach	19	N/A	246.478
Irish Punt	–	N/A	0.769084

§ Bank rate refers to central bank discount rates. These are not quoted by the UK, Spain and Ireland. † European Commission Calculations. * All SDR rates are for June 2

OTHER CURRENCIES

Jun 3	£	$
Argentina	1.8010 - 1.8035	0.9900 - 0.9910
Australia	2.3825 - 2.3845	1.3115 - 1.3125
Brazil	5274.90 - 5278.20	2899.90 - 2900.10
Finland	7.9335 - 7.9560	4.3725 - 4.3795
Greece	347.900 - 353.500	191.900 - 194.950
Hong Kong	14.0375 - 14.0535	7.7375 - 7.7385
Iran	2625.00*	1425.00*
Korea(Sth)	1413.20 - 1436.00	781.50 - 790.90
Kuwait	0.53100 - 0.53250	0.29180 - 0.29230
Luxembourg	60.00 - 60.10	33.00 - 33.10
Malaysia	4.5930 - 4.6045	2.5275 - 2.5325
Mexico	5493.40 - 5505.50	3116.00 - 3117.00
N.Zealand	3.3795 - 3.3840	1.8585 - 1.8610
Saudi Ar	6.7755 - 6.8525	3.7495 - 3.7505
Singapore	2.9570 - 2.9640	1.6285 - 1.6295
S.Af (Cm)	5.1545 - 5.1665	2.8380 - 2.8395
S.Af (Fn)	6.3365 - 6.3695	3.4845 - 3.5025
Taiwan	45.30 - 45.50	24.90 - 25.00
U.A.E.	6.6345 - 6.7115	3.6715 - 3.6735

*Floating rate. Iran Official rate £119.10 $65.50

EMS EUROPEAN CURRENCY UNIT RATES

	Ecu Central Rates	Currency Amounts Against Ecu Jun 3	% Change from Central Rate	% Spread vs Weakest Currency	Divergence Indicator
Portuguese Escudo	178.735	170.360	-4.69	6.06	77
Spanish Peseta	133.631	128.325	-3.97	5.27	68
Belgian Franc	42.4032	42.2390	-0.39	1.49	23
Dutch Guilder	2.31643	2.31163	-0.21	1.30	14
D-Mark	2.05586	2.05228	-0.17	1.27	16
Irish Punt	0.767417	0.769084	0.22	0.87	-6
French Franc	6.89509	6.91114	0.23	0.86	-8
Sterling	0.696904	0.701839	0.71	0.38	-15
Italian Lira	1538.24	1550.06	0.77	0.32	-34
Danish Krone	7.84195	7.92771	1.09	0.00	-46

Ecu central rates set by the European Commission. Currencies are in descending relative strength. Percentage changes are for Ecu; a positive change denotes a weak currency. Divergence shows the ratio between two spreads: the percentage difference between the actual market and Ecu central rates for a currency, and the maximum permitted percentage deviation of the currency's market rate from its Ecu central rate.
Adjustment calculated by Financial Times.

POUND SPOT - FORWARD AGAINST THE POUND

Jun 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
US	1.8120 - 1.8205	1.8160 - 1.8170	0.92-0.90cpm	6.01	2.76-2.73pm	6.04
Canada	2.1745 - 2.1885	2.1800 - 2.1810	0.73-0.67cpm	3.85	1.43-1.35pm	2.55
Netherlands	3.2775 - 3.2975	3.2775 - 3.2875	⅛-parcpm	0.23	⅝-⅛pm	0.61
Belgium	59.95 - 60.25	60.00 - 60.10	4-1cpm	0.50	8-2pm	0.33
Denmark	11.2375 - 11.3250	11.2425 - 11.2525	⅝-⅛orepm	0.33	⅝-⅛pm	0.18
Ireland	1.0920 - 1.0965	1.0920 - 1.0930	0.02dis-0.02pm	0	0.03dis-0.04pm	0.02
Germany	2.9125 - 2.9275	2.9125 - 2.9175	⅛-parpfpm	0.26	⅛-parpm	0.17
Portugal	241.25 - 243.25	241.25 - 242.25	130-159cdis	-7.17	303-368dis	-5.55
Spain	182.35 - 182.90	182.35 - 182.65	33-46cdis	-2.60	106-125dis	-2.53
Italy	2202.25 - 2210.25	2203.75 - 2204.75	4-6liredis	-2.72	13-16dis	-2.63
Norway	11.3675 - 11.4325	11.3925 - 11.4025	¼-1oredis	-0.66	¾-2dis	-0.50
France	9.8000 - 9.8500	9.8125 - 9.8225	par-¼cdis	-0.15	⅛-⅝dis	-0.15
Sweden	10.5000 - 10.5575	10.5125 - 10.5225	1-1⅝oredis	-1.50	3¾-4¾dis	-1.64
Japan	231.00 - 232.50	231.50 - 232.50	1⅛-1ypm	5.50	3¼-3pm	5.39
Austria	20.51 - 20.60	20.51 - 20.54	1-⅛gropm	0.33	3¼-⅝pm	0.37
Switzerland	2.6650 - 2.6750	2.6650 - 2.6750	⅛-⅛cpm	0.84	¾-⅝pm	1.03
Ecu	1.4205 - 1.4275	1.4230 - 1.4240	0.02-0.12cdis	-0.59	0.06-0.21dis	-0.38

Commercial rates taken towards the end of London trading. Six-month forward dollar 5.11-5.06pm. 12 Month 8.85-8.75pm

DOLLAR SPOT - FORWARD AGAINST THE DOLLAR

Jun 3	Day's spread	Close	One month	% p.a.	Three months	% p.a.
UK†	1.8120 - 1.8205	1.8160 - 1.8170	0.92-0.90cpm	6.01	2.76-2.73pm	6.04
Ireland†	1.6550 - 1.6630	1.6600 - 1.6610	0.84-0.81cpm	5.96	2.51-2.44pm	5.96
Canada	1.1990 - 1.2040	1.2000 - 1.2010	0.20-0.22cdis	-2.10	0.61-0.66dis	-2.12
Netherlands	1.8055 - 1.8185	1.8070 - 1.8080	0.86-0.89cdis	-5.81	2.60-2.64dis	-5.80
Belgium	33.00 - 33.25	33.00 - 33.10	15.00-16.00cdis	-5.63	46.00-49.00dis	-5.75
Denmark	6.1900 - 6.2425	6.1900 - 6.1950	3.05-3.35oredis	-6.20	9.05-9.65dis	-6.04
Germany	1.6020 - 1.6145	1.6040 - 1.6050	0.79-0.80pfdis	-5.95	2.38-2.40dis	-5.96
Portugal	133.20 - 133.55	133.25 - 133.35	145-160cdis	-13.73	400-440dis	-12.60
Spain	100.25 - 100.80	100.65 - 100.75	73-76cdis	-8.88	211-216dis	-8.48
Italy	1211.00 - 1218.25	1213.25 - 1213.75	8.60-9.10liredis	-8.75	26.00-27.00dis	-8.74
Norway	6.2600 - 6.3025	6.2725 - 6.2775	3.30-3.65oredis	-6.65	9.80-10.60dis	-6.50
France	5.4000 - 5.4300	5.4025 - 5.4075	2.80-2.85cdis	-6.27	8.50-8.55dis	-6.31
Sweden	5.7825 - 5.8225	5.7875 - 5.7925	3.55-3.85oredis	-7.67	10.80-11.50dis	-7.70
Japan	126.70 - 127.90	127.70 - 127.80	0.07-0.08ydis	-0.70	0.18-0.20dis	-0.59
Austria	11.2900 - 11.3600	11.3125 - 11.3175	5.40-5.75grodis	-5.91	16.10-17.10dis	-5.87
Switzerland	1.4625 - 1.4750	1.4690 - 1.4700	0.70-0.72cdis	-5.80	1.99-2.02dis	-5.46
Ecu	1.2705 - 1.2785	1.2770 - 1.2780	0.73-0.67cpm	6.58	2.10-2.00pm	6.42

Commercial rates taken towards the end of London trading. † UK, Ireland and ECU are quoted in US currency. Forward premiums and discounts apply to the US dollar and not to the individual currency.

EURO-CURRENCY INTEREST RATES

Jun 3	Short term	7 Days notice	One Month	Three Months	Six Months	One Year
Sterling	9¼ - 9⅛	9⅝ - 9½	9 15/16 - 9 13/16	10 - 9⅞	10 - 9⅞	9 15/16 - 9 13/16
US Dollar	3 13/16 - 3 11/16	3 13/16 - 3 11/16	4 - 3⅞	4⅛ - 3 15/16	4⅜ - 4¼	4 15/16 - 4¾
Can. Dollar	6 - 5¾	6⅛ - 5 15/16	6⅛ - 5 15/16	6⅛ - 6	6¾ - 6⅝	6⅞ - 6¾
Dutch Guilder	9⅝ - 9½	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾	9⅞ - 9¾
Swiss Franc	9⅜ - 9¼	9½ - 9⅜	9½ - 9⅜	9⅜ - 9¼	9⅛ - 8⅞	8⅞ - 8¾
D-Mark	9 11/16 - 9 9/16	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9¾ - 9⅝	9 11/16 - 9 9/16
French Franc	10⅛ - 9⅞	10⅛ - 9 15/16	10⅛ - 9 15/16	10⅛ - 9 15/16	10 - 9⅞	10 - 9⅞
Italian Lira	12 - 10	12¼ - 11¾	12½ - 12	12½ - 12	12½ - 12¼	12 9/16 - 12 5/16
Belgian Franc	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½	9⅝ - 9½
Yen	4 11/16 - 4½	4 11/16 - 4 9/16	4 11/16 - 4 9/16	4 11/16 - 4⅝	4⅝ - 4½	4 11/16 - 4 9/16
Danish Krone	10¾ - 10½	10⅞ - 10⅝	10¾ - 10½	10⅝ - 10⅜	10½ - 10¼	10⅜ - 10⅛
Asian $Sing	2 13/16 - 2 11/16	2 13/16 - 2 11/16	3⅛ - 2 15/16	3⅛ - 3	3⅜ - 3¼	3 9/16 - 3 7/16
Spanish Peseta	12 7/16 - 12 5/16	12 7/16 - 12 5/16	12 7/16 - 12 5/16	[illegible]	[illegible]	[illegible]

Long term Eurodollars: two years 5⅝-5½ per cent; three years 6¼-6⅛ per cent; four years 6⅝-6½ per cent; five years 7-6⅞ per cent nominal. Short term rates are call for US Dollars and Japanese Yen; others, two days' notice.

EXCHANGE CROSS RATES

June 3	£	$	DM	Yen	F Fr.	S Fr.	N Fl.	Lira	C$	B Fr.	Pta.	Ecu
£	1	1.816	2.915	232.0	9.817	2.670	3.282	2204	2.180	60.05	182.5	1.423
$	0.551	1	1.605	127.8	5.406	1.470	1.807	1214	1.200	33.07	100.5	0.784
DM	0.343	0.623	1	79.59	3.368	0.916	1.126	756.1	0.748	20.60	62.61	0.488
YEN	4.310	7.828	12.56	1000.	42.31	11.51	14.15	9500	9.397	258.8	786.6	6.134
F Fr.	1.019	1.850	2.969	236.3	10.	2.720	3.343	2245	2.221	61.17	185.9	1.450
S Fr.	0.375	0.680	1.092	86.89	3.677	1	1.229	825.5	0.816	22.49	68.35	0.533
N Fl.	0.305	0.553	0.888	70.69	2.991	0.814	1	671.5	0.664	18.30	55.61	0.434
Lira	0.454	0.824	1.323	105.3	4.454	1.211	1.489	1000.	0.989	27.25	82.80	0.646
C$	0.459	0.833	1.337	106.4	4.503	1.225	1.506	1011	1	27.55	83.72	0.653
B Fr.	1.665	3.024	4.854	386.3	16.35	4.446	5.465	3670	3.630	100.	303.9	2.370
Pta	0.548	0.995	1.597	127.1	5.379	1.463	1.798	1208	1.195	32.90	100.	0.780
Ecu	0.703	1.276	2.048	163.0	6.899	1.876	2.306	1549	1.532	42.20	128.3	1.

Yen per 1,000: French Fr. per 10: Lira per 1,000: Belgian Fr. per 100: Peseta per 100.

FINANCIAL FUTURES AND OPTIONS

LIFFE LONG GILT FUTURES OPTIONS £50,000 64ths of 100%

LIFFE US TREASURY BOND FUTURES OPTIONS $100,000 64ths of 100%

LIFFE EURO FUTURES OPTIONS DM250,000 points of 100%

LIFFE EUROMARK OPTIONS DM1m points of 100%

LIFFE ITALIAN GOVT. BOND (BTP) FUTURES OPTIONS Lira 200m 100ths of 100%

LIFFE SHORT STERLING OPTIONS £500,000 points of 100%

[illegible]

LONDON (LIFFE)

[illegible]

CHICAGO

[illegible]

PARIS

7 to 10 YEAR 10% NATIONAL FRENCH BOND (MATIF) FUTURES

[illegible]

THREE-MONTH PIBOR FUTURES (MATIF) (Paris interbank offered rate)

[illegible]

CAC-40 FUTURES (MATIF) Stock index

[illegible]

ECU BOND (MATIF)

[illegible]

OPTION ON LONG-TERM FRENCH BOND (MATIF)

Strike	Calls September	Calls December	Calls March	Puts September	Puts December	Puts March
106	-	-	-	-	0.18	-
107	1.48	1.86	-	0.39	0.64	-
108	0.87	1.28	-	0.74	1.00	-
109	0.45	0.81	1.18	1.33	1.47	1.70
110	0.21	0.50	-	-	-	-
111	0.08	0.28	-	-	-	-
Open Int	57,868	17,836	-	44,895	21,348	-

Estimated volume 53,173 Total Open Interest 141,947

FT-SE 100 INDEX * £25 per full index point

	Close	High	Low	Prev.
Jun	2680.0	2724.0	2672.0	2717.0
Sep	2720.0	2760.0	2714.0	2759.0
Dec	2770.5			2809.5

Estimated volume 19418 (12693)
Previous day's open int. 43593 (43903)

* Contracts traded on APT. Closing prices shown.

POUND - DOLLAR

FT FOREIGN EXCHANGE RATES

Spot	1-mth.	3-mth.	6-mth.	12-mth.
1.8165	1.8074	1.7891	1.7657	1.7285

BASE LENDING RATES

	%		%		%
Adam & Company	10	Credit Lyonnais	10	McDonnell Douglas Bnk.	10
Allied Trust Bank	10	Cyprus Popular Bk	10	Midland Bank	10
AIB Bank	10	Duncan Lawrie	10	Mount Banking	10
● Henry Ansbacher	10	Equatorial Bank plc	10	Nat Westminster	10
B & C Merchant Bank	10.5	Exeter Bank Limited	10.5	Northern Bank Ltd	10
Bank of Baroda	10	Financial & Gen. Bank	10	Hydredit Mortgage Bank	11
Banco Bilbao Vizcaya	10	First National Bank Plc.	14	Provincial Bank PLC	14
Bank of Cyprus	10	● Robert Fleming & Co.	10	● Rea Brothers	10
Bank of Ireland	10	Robert Fraser & Ptnrs.	10.5	Roxburghe Bank Ltd.	11
Bank of India	10	Girobank	10	Royal Bk of Scotland	10
Bank of Scotland	10	● Guinness Mahon	10	● Smith & Williamson Secs.	10
Banque Belge Ltd	10	● Hambros Bank	10	Standard Chartered	10
Barclays Bank	10	Hampshire Trust Plc	13.5	TSB	10
Benchmark Bank	11	Heritable & Gen Inv Bnk.	10	Unibank plc	10
Brit Bk of Mid East	10	● Hill Samuel	10	● United Bk of Kuwait	10
● Brown Shipley	10	C. Hoare & Co.	10	Unity Trust Bank Plc	10
CL Bank Nederland	10	Hongkong & Shanghai	10	Western Trust	10
Citibank NA	10	Julian Hodge Bank	10	Westpac Bank Corp.	10
City Merchants Bank	10	● Leopold Joseph & Sons	10	Whiteaway Laidlaw	10
Clydesdale Bank	10	Lloyds Bank	10	Yorkshire Bank	10
Co-operative Bank	10	Meghraj Bank Ltd	10		
Coutts & Co	10				

● Members of British Merchant Banking & Securities Houses Association.

MONEY MARKETS

Sharp futures drop

STERLING futures contracts traded at considerably lower levels yesterday as uncertainty swept the money markets about the future of European Monetary Union.

The decision of the Danish people not to participate in EMU caused uncertainty in all sterling futures trading, as dealers questioned the principle of monetary convergence in the long term and the strength of sterling in the immediate future.

UK clearing bank base lending rate 10 per cent from May 5, 1992

Fears that EMU is in danger encouraged foreign exchange traders to invest heavily in the D-Mark, and pushed sterling briefly below DM2.92 in the afternoon. Believing that a weaker pound may hinder the possibility of a base rate cut in the Autumn, futures traders pushed contracts down.

Trading in an 11-tick range, the September contract closed at 90.25, having closed at 90.35 the previous night. Yesterday's closing price suggests that the market believes that the 3-month interbank rate in September will be at 9.75 per cent.

The December contract was even more heavily affected. Trading in a 12-tick range, it ended the day at 90.48 from a previous close of 90.60. That suggests that the market believes that 3-month Libor at the end of the year will be at 9.52 per cent.

Rates in the cash markets were less heavily affected, because the Bank of England forecast a small shortage of £100m. The Bank did not operate at all during the day.

As a result, money remained cheap, with most players able to square their books at an overnight rate of 8 per cent. That cheap rate fed through to the short periods. 1-month money ended the day at 9 13/16 per cent, 1/16 per cent softer than the previous night's close. However, 3-month money, a key indicator of the way the markets think rates are moving, ended at 10 1/16 per cent, up 1/16 on the previous close.

The cash market in Danish krone was strongly affected by the referendum decision. Denmark raised the 14-day Certificate of Deposit rate from 9.85 per cent to 10.5 per cent.

In Germany, call money eased slightly after the Bundesbank made a generous allocation of funds in this week's tender for repurchase funds. A net DM8.3bn flowed into the market, and call money eased to 9.65 per cent from 9.70.

FT LONDON INTERBANK FIXING

(11.00 a.m. June 3) 3 months US dollars		6 months US Dollars	
bid 3 15/16	offer 4 1/16	bid 4 3/16	offer 4 5/16

The fixing rates are the arithmetic means rounded to the nearest one-sixteenth, of the bid and offered rates for $10m quoted to the market by five reference banks at 11.00 a.m. each working day. The banks are National Westminster Bank, Bank of Tokyo, Deutsche Bank, Banque National de Paris and Morgan Guaranty Trust.

MONEY RATES

NEW YORK

4pm

		Treasury Bills and Bonds			
Prime rate	6½	One month	3.01	Three year	5.73
Broker loan rate	6	Two month	3.73	Five year	6.60
Fed.funds	3¾	Three month	3.80	Seven year	6.99
Fed.funds at intervention	3 13/16	Six month	3.98	10-year	7.35
		One year	4.27	30-year	7.88
		Two year	5.19		

June 3	Overnight	One Month	Two Months	Three Months	Six Months	Lombard Intervention
Frankfurt	9.60-9.70	9.60-9.70	9.65-9.75	9.65-9.75	9.65-9.75	9.75
Paris	9¾-10	9¾-10	9¾-10	9 15/16-10 1/16	9¾-10	9.60
Zurich	8¾-9¼	9¼-9¾	-	9¼-9¾	-	-
Amsterdam	9.31-9.38	9.47-9.54	-	9.48-9.55	-	-
Tokyo	4 11/16-4¾	4 11/16-4 13/16	-	4 11/16-4 13/16	-	-
Milan	12¼-12½	12 9/16-12¾	-	12 9/16-12¾	-	-
Brussels	9¼-9½	9½-9¾	-	9½-9¾	-	-
Dublin	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	9 13/16-9 15/16	-

LONDON MONEY RATES

Jun 3	Overnight	7 days notice	One Month	Three Months	Six Months	One Year
Interbank Offer	9¼	9½	10	10	10	9 15/16
Interbank Bid	6½	9	9¾	9⅞	9⅞	9 13/16
Sterling CDs	–	–	9 15/16	9 15/16	9 15/16	9¾
Local Authority Deps.	9 13/16	9 13/16	9 15/16	9 15/16	9 15/16	9 15/16
Local Authority Bonds	–	–	–	–	–	–
Discount Mkt. Deps	8⅛	9¼	–	–	–	–
Company Deposits	–	–	10	10	10	10
Finance House Deposits	–	–	9 15/16	9 15/16	9 15/16	9 15/16
Treasury Bills (Buy)	–	–	9½	9 13/16	9¾	–
Bank Bills (Buy)	–	–	9 13/16	9 13/16	9 25/32	–
Fine Trade Bills (Buy)	–	–	–	–	–	–
Dollar CDs	–	–	3.84	3.91	4.05	4.51
SDR Linked Dep. Offer	–	–	6¼	6⅜	6½	6½
SDR Linked Dep. Bid	–	–	6⅛	6¼	6¼	6⅜
ECU Linked Dep. Offer	–	–	10 3/16	10 3/16	10¼	10⅛
ECU Linked Dep. Bid	–	–	10 1/16	10 1/16	10⅛	10

Treasury Bills (sell); one-month 9 7/16 per cent; three months 9 11/16 per cent; six months 9 9/16 per cent; Bank Bills (sell); one-month 9 11/16 per cent; three months 9 11/16 per cent; Treasury Bills; Average tender rate of discount 9.4278 p.c. ECGD Fixed Rate Sterling Export Finance. Make up day May 29, 1992. Agreed rates for period June 24, 1992 to July 225, 1992, Scheme I: 11.34 p.c., Schemes II & III: 11.35 p.c. Reference rate for period May 1, 1992 to May 29, 1992, Scheme IV&V: 10.122 p.c. Local Authority and Finance Houses seven days' notice, others seven days' fixed. Finance Houses Base Rate 10½ from June 1, 1992: Bank Deposit Rates for sums at seven days notice 4 per cent. Certificates of Tax Deposit (Series 6); Deposit £100,000 and over held under one month 9 per cent; one-three months 9 per cent; three-six months 9 per cent; six-nine months 9 per cent; nine-12 months 9 per cent; Under £100,000 7 per cent from Sept 5, 1991. Deposits withdrawn for cash 5 per cent.

MONEY MARKET FUNDS

Money Market Trust Funds

[illegible]

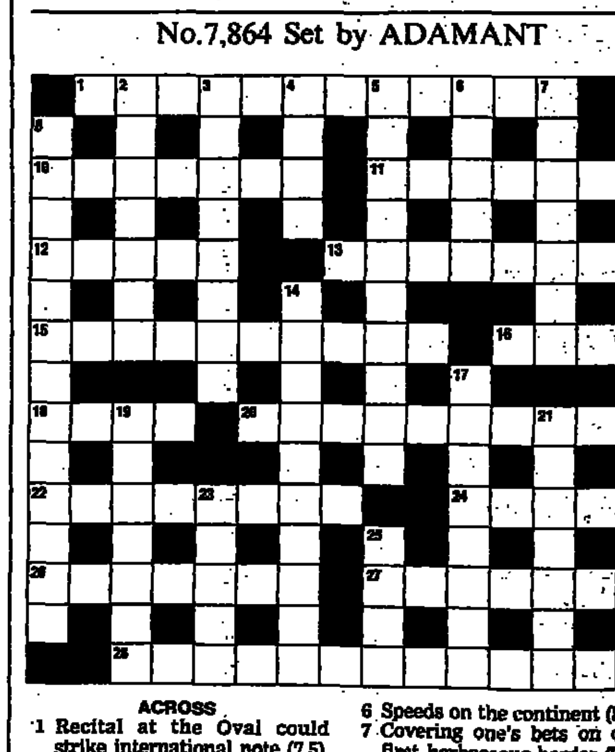
Money Market Bank Accounts

[illegible]

JOTTER PAD

CROSSWORD

No.7,864 Set by ADAMANT



ACROSS

1 Recital at the Oval could strike international note (7,5)
10 Still sighted untanned Theban inside (7)
11 Wandering without reason, throwing money around (7)
12 Bob dismayed at the surroundings might head to Tintern (5)
13 Well known little devil (8)
15 Shorts to brace yourself for in the Alps? (10)
16 Agreed the soldiers left had matured (4)
18 Advances the money for the Nautilus fleet (4)
20 Ardent supporter of an ICI merger injured, dead on arrival (10)
22 Top fashion designer (8)
24 Short trees have been damaged (5)
26 Someone put forward that no enemies, having lost two points, were involved (7)
27 Over flowing water and a right tasty dish (7)
29 Plans to give scope to people in the arts (12)

DOWN

2 Offer a lot too much (7)
3 React badly over river animal (8)
4 Call for a round (4)
5 Five books starting with birth and passing through simple mathematics (9)
6 Speeds on the continent (5)
7 Covering one's bets on one's first herbaceous border (7)
8 The government perhaps tinkering with NHS timetables (13)
9 Made fearfully late (6,2,5)
14 Has the raw material of café been brewed? (10)
17 Turn in once having arranged "A Little Night Music" (8)
19 Am I blue? Early cut off and I suffer from morbid hunger (7)
21 Graduate actor might be one to take a tumble (7)
23 Not quite the best result for those on the board (5)
25 Impulse to return, for example, to Rugby Union (4)

Solution to Puzzle No.7,863

WORLD STOCK MARKETS

AUSTRIA | FRANCE (continued) | GERMANY (continued) | NETHERLANDS | SWEDEN (continued) | SWITZERLAND | NORWAY | SPAIN | SOUTH AFRICA | BELGIUM/LUXEMBOURG | DENMARK | FINLAND | ITALY | JAPAN | HONG KONG | AUSTRALIA | AUSTRALIA (continued) | SINGAPORE

[illegible]

Price data supplied by Telekurs.

NOTES – Prices on this page are as quoted on the individual exchanges and are mostly last traded prices. [illegible]

CANADA

TORONTO

4:00 pm prices June 3

Quotations in cents unless marked $

[illegible]

Total Sales 17,730,300 shares

+ No voting rights or restricted voting rights

MONTREAL

4:00 pm prices June 3

4300 MacleanHnt	$11⅞	11⅞	11⅞	+¼
197500 NatBk Can	$9	8¾	8⅞	+⅛
35800 Provigo	$8	7⅞	8	+⅛
7500 Quebecor A	$14⅛	14⅛	14⅛	
2900 Teleglobe	$13⅜	13¼	13⅜	+⅛
58300 Videotron x	$16	16	16	−⅛

Total Sales 17,730,300 shares

INDICES

NEW YORK

DOW JONES	Jun 3	Jun 2	Jun 1	May 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
♦Industrials	3406.99	3396.10	3413.21	3396.88	3413.21 (1/6)	3172.41 (2/1)	3413.21 (1/6/92)	41.22 (2/7/32)
Home Bonds	99.78	99.77	99.84	100.07	100.17 (19/5)	98.41 (20/3)	100.17 (19/5/92)	54.99 (1/10/81)
Transport	1373.13	1371.64	1376.12	1370.14	1467.68 (20/2)	1301.57 (8/4)	1532.01 (5/9/89)	12.32 (8/7/32)
Utilities	212.01	211.32	212.51	213.45	225.59 (3/1)	200.74 (8/4)	236.23 (2/1/90)	10.50 (8/4/32)

♦Day's High 3431.09 (3435.24) Low 3378.73 (3380.80)

STANDARD AND POOR'S

	Jun 3	Jun 2	Jun 1	May 29	1992 HIGH	1992 LOW	Since compilation HIGH	Since compilation LOW
Composite ‡	414.59	413.50	417.30	415.35	420.77 (15/1)	394.50 (8/4)	420.77 (15/1/92)	4.40 (1/6/32)
Industrials	490.90	489.85	494.95	492.47	499.27 (15/1)	470.91 (8/4)	499.27 (15/1/92)	3.62 (21/6/32)
Financial	35.30	35.06	35.16	35.03	35.80 (13/5)	32.40 (8/4)	35.80 (13/5/92)	8.64 (1/10/74)
NYSE Composite	228.65	228.20	229.90	228.87	231.85 (15/1)	217.92 (8/4)	231.85 (15/1/92)	4.46 (25/4/42)
Amex Mkt. Value	395.65	393.95	394.84	394.69	418.99 (12/2)	380.90 (8/4)	418.99 (12/2/92)	29.31 (9/12/72)
NASDAQ Composite	589.93	589.18	588.37	585.31	644.92 (12/2)	560.33 (28/4)	644.92 (12/2/92)	54.87 (31/10/72)

	May 29	May 22	May 15	year ago (approx.)
Dow Industrial Div. Yield	2.99	2.92	2.79	2.99

	May 27	May 20	May 13	year ago (approx.)
S & P Industrial div. yield	2.65	2.63	2.62	2.79
S & P Indl. P/E ratio	28.77	28.92	29.19	18.89

NEW YORK ACTIVE STOCKS

Wednesday	Stocks traded	Closing price	Change on day
Maxus Energy	7,708,300	6¾	+ ⅛
Bristol Myers	5,684,800	66⅛	- ½
Waste Energy	4,861,100	17¼	.....
Citicorp	3,372,400	19¾	+ ¼
Chrysler	3,316,200	19⅞	+ ½
Am Express	3,215,100	24⅛	+ ¼
Franklin Gst	2,932,500	17¾	.....
Gen Motors	2,875,600	41¾	+ 1¼
EL Control	2,841,900	23	+ ⅛
Glaxo	2,492,000	27⅛	+ ⅛

TRADING ACTIVITY

† Volume (Millions)	Jun 3	Jun 2	Jun 1
New York SE	215.730	200.660	180.780
Amex	11.245	11.434	10.520
NASDAQ	(u)	164.962	141.567
NYSE			
Issues Traded	2,257	2,263	2,273
Rises	839	808	959
Falls	843	900	764
Unchanged	575	555	550
New Highs	64	64	58
New Lows	24	24	13

CANADA

TORONTO	Jun 3	Jun 2	Jun 1	May 29	1992 HIGH	1992 LOW
Metals & Minerals	3183.84	3148.85	3110.82	3110.19	3298.87 (16/1)	2828.26 (8/4)
Composite	3407.34	3410.20	3403.98	3387.93	3666.00 (16/1)	3318.10 (8/4)
MONTREAL Portfolio	1798.62	1795.52	1796.45	1784.66	1937.59 (16/1)	1727.04 (8/4)

Base values of all indices are 100 except NYSE All Common – 50; Standard and Poor's – 10; and Toronto Composite and Metals – 1000. Toronto indices based 1975 and Montreal Portfolio 4/1/83. † Excluding bonds. ‡ Industrial, plus Utilities, Financial and Transportation. (c) Closed. (u) Unavailable.

	Jun 3	Jun 2	Jun 1	May 29	1992 HIGH	1992 LOW
AUSTRALIA						
All Ordinaries (1/1/80)	1678.1	1676.3	1674.4	1678.3	1684.50 (22/5)	1545.30 (9/4)
All Mining (1/1/80)	714.6	712.4	711.8	712.1	717.20 (25/2)	660.30 (2/1)
AUSTRIA						
Credit Aktien (30/12/84)	417.58	416.41	413.29	411.38	458.57 (24/2)	372.24 (2/1)
Traded Index (2/1/91)	1006.93	1002.09	998.20	987.14	1099.43 (24/2)	901.64 (2/1)
BELGIUM						
BEL20 (1/1/91)	1231.23	1235.40	1232.57	(c)	1235.40 (2/6)	1097.23 (8/1)
DENMARK						
Copenhagen SE (3/1/83)	335.13	347.73	347.75	347.48	365.29 (15/1)	326.35 (9/4)
FINLAND						
HEX General (28/12/90)	819.0	820.4	829.2	837.7	935.90 (24/2)	778.30 (9/4)
FRANCE						
CAC General (31/12/82)	546.24	548.16	548.31	547.89	556.93 (12/5)	475.53 (2/1)
CAC 40 (31/12/87)	1992.61	2024.87	2017.49	2033.29	2077.49 (11/5)	1749.91 (2/1)
GERMANY						
FAZ Aktien (31/12/58)	719.06	718.22	718.34	721.17	725.26 (26/5)	643.26 (8/1)
Commerzbank (1/12/53)	2029.5	2025.2	2026.0	2035.8	2043.80 (25/5)	1813.80 (8/1)
DAX (30/12/87)	1788.58	1801.39	1798.14	1803.22	1811.57 (25/5)	1578.73 (8/1)
HONG KONG						
Hang Seng Bank (31/7/64)	6037.37	6099.39	6056.00	6080.15	6082.70 (27/5)	4301.78 (2/1)
IRELAND						
ISEQ Overall (4/1/88)	1375.11	1376.09	(c)	1378.99	1469.57 (17/1)	1346.61 (3/4)
ITALY						
Banca Com. Ital. (1972)	497.32	500.31	497.98	496.60	551.59 (6/2)	472.72 (15/5)
MIB General (2/1/92)	981.0	987.0	983.0	980.0	1086.00 (5/2)	932.00 (15/5)
JAPAN						
Nikkei (16/5/49)	18189.68	18125.95	18004.11	18347.75	23801.18 (6/1)	16598.15 (9/4)
Tokyo SE (Topix) (4/1/68)	1366.38	1364.58	1360.54	1376.32	1763.43 (6/1)	1196.19 (9/4)
2nd Section (4/1/68)	2032.70	2040.03	2036.17	2037.34	2459.85 (6/1)	1910.56 (9/4)
MALAYSIA						
KLSE Composite (4/4/86)	588.43	586.74	585.33	589.09	619.06 (20/2)	546.63 (14/1)
NETHERLANDS						
CBS Ttl.Rtn.Gen.(End 1983)	313.7	314.6	312.6	314.4	314.70 (26/5)	274.00 (8/1)
CBS All Shr (End 1983)	214.7	215.3	214.0	215.1	215.50 (26/5)	192.40 (8/1)
NORWAY						
Oslo SE (Ind) (2/1/83)	760.86	763.92	763.65	765.55	772.74 (18/5)	667.88 (25/2)
PHILIPPINES						
Manila Comp (2/1/85)	1439.42	1405.72	1387.79†	1399.45	1440.91 (26/5)	1083.01 (17/3)
SINGAPORE						
SES All-Singapore (2/4/75)	406.18	405.96	404.96	408.31	416.99 (21/1)	370.13 (9/4)
SOUTH AFRICA						
JSE Gold (28/9/78)	1102.0§	1083.0	1073.0	1090.0	1327.00 (21/1)	1006.00 (24/4)
JSE Industrial (28/9/78)	4682.0§	4646.0	4630.0	4665.0	4682.00 (3/6)	4169.00 (2/1)
SOUTH KOREA**						
Korea Comp Ex. (4/1/80)	568.98	567.34	569.19	570.93	691.48 (8/2)	567.34 (2/6)
SPAIN						
Madrid SE (30/12/85)	260.42	262.05	260.65	261.06	266.51 (28/2)	238.93 (2/1)
SWEDEN						
Affarsvarlden Gen. (1/2/37)	983.9	992.2	998.5	991.5	1014.50 (11/5)	913.70 (2/1)
SWITZERLAND						
Swiss Bank Ind. (31/12/58)	870.3	876.9	875.1	874.6	883.40 (11/5)	748.50 (8/1)
SBC General (1/4/87)	669.8	673.0	671.8	671.0	682.30 (11/5)	601.10 (8/1)
TAIWAN**						
Weighted Price (30/6/66)	4583.97	4468.94	4456.85	4519.27	5391.63 (30/1)	4268.17 (11/5)
THAILAND						
Bangok SET (30/4/75)	679.52	677.10	698.90	688.84	832.39 (7/4)	667.84 (19/5)
WORLD						
M.S. Capital Intl.(1/1/70) ($)	510.3*	510.6	513.1	513.7	542.10 (7/1)	467.50 (8/4)
Euro Top-100 (26/6/90)	965.98	975.84	974.48	975.78	976.55 (25/5)	870.31 (2/1)

**Saturday May 30: Taiwan Weighted Price: 4496.58, Korea Comp Ex. 574.20.
§ Subject to official recalculation. † Correction. *Calculated at 15.00 GMT.
Base values of all indices are 100 except: Austria Traded, BEL20, HEX Gen., MIB Gen., Euro Top-100, ISEQ Overall and DAX – 1,000, JSE Gold – 255.7, JSE 26 Industrials – 264.3 and Australia All Ordinary and Mining – 500; (c) Closed. (u) Unavailable.

TOKYO - Most Active Stocks

Wednesday 3rd June 1992

	Stocks Traded	Closing Prices	Change on day		Stocks Traded	Closing Prices	Change on day
Nippon Mining	10.2	485	+1	Nihon Nohyaku	3.4	1,240	+20
Mazda Motor	8.9	495	-28	Kawasaki Kisen	3.4	389	-4
Chiyoda Corp	5.6	1,840	+10	Toa Steel	3.2	1,120	+50
Toyo Menka	3.9	394	+4	Japan Mtl	3.0	765	-31
Nissan Chem	3.6	748	+23	Asahi Chem Ind.	2.8	682	-30

4:00 pm prices June 3

NEW YORK STOCK EXCHANGE COMPOSITE PRICES

1992 High	1992 Low	Stock	Div.	Yld. %	P/ E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
15⅞	12¾	AAR Corp	0.48	3.7	15	96	13	12⅞	12⅞	-⅛
26	20⅝	A L Labs A	0.16	0.8	92	94	23⅛	23	23⅛	-⅛
68¾	56	AMP Inc	1.52	2.6	24	1990	60⅝	59¾	60¼	-⅜
80¼	60⅞	AMR				1693097	65	64⅞	64½	-⅛
2⅞	1⅛	ARX			2	5	1¼	1⅛	1⅛	
53½	40¾	ASA x	2.00	4.6	12	622	44⅞	43¾	43⅞	-¾
34¼	29½	Abbott Lab	1.20	3.8	23	1989	33	31¼	31½	-1¼
13⅞	12	Abitibi Pr	0.42	3.2	9	10	13½	13½	13¼	-⅛
11⅞	10⅛	ACM Gvt In	0.96	8.6		323	11⅛	11	11⅛	+⅛
10⅞	9⅛	ACM GvOpp	0.80	8.3		80	9⅝	9½	9⅝	+⅛
9½	8½	ACM Gv Sp x	0.80	8.9		270	9	8⅞	9	
11¼	10⅛	ACM Gvt Se x	0.96	8.8		1905	11	10¾	10⅞	+¼
9⅝	8⅝	ACM Man	0.95	10.0		545	9½	9⅜	9½	
12⅞	10⅝	ACM Managd	1.08	9.4		79	11¾	11½	11½	-⅛
11¼	6¼	Acme Cleve	0.40	5.6	24	149	7¼	7⅛	7¼	+⅛
6¼	4½	Acme Elect			4	37	4⅞	4⅝	4⅝	-⅛
33¼	18⅞	Acuson			14	316	22¼	21⅞	22⅛	+¼
19½	16⅛	Adams Expr	0.48	2.6	0	116	18⅞	18¼	18⅞	
49¼	38	Ad Micro	3.00	7.5		65	40	40	40	-¼
21½	14⅝	Ad Micro P	3.00	19.7		63782	15½	15¼	15¼	-⅛
9⅜	5	Advest Grp	0.16	2.5	64	8	6⅝	6½	6½	
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NYSE COMPOSITE PRICES

Continued from previous page

- S -

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
21	16¾	S Anita Rt	1.72	9.7	16	227	18	17¾	17¾	-¼
16⅞	16¼	SCOR US Cp	0.28	1.7	9	13	16⅝	16⅝	16⅝	
29½	24¼	SPS Techno	1.28	4.9	21	16	26¼	26	26⅛	+⅛
1⅞	11/16	SaatchiAS	0.19	15.2	12	170	1¼	1⅛	1¼	
13½	12⅛	Sabine Rit	1.36	10.4	9	32	13¼	13⅛	13⅛	
11⅞	9	Salecard	0.15	1.5	9	136	10⅛	10	10	-⅛
16	11¼	Safeg'd Sc			6	310	13⅞	13⅝	13⅝	+⅛
30⅞	22⅝	SafetyKln	0.34	1.2	31	1173	28⅞	28½	28⅝	-⅛
20¼	13½	Safeway			23	1169	13½	d13⅛	13⅜	-⅛
4⅞	2¼	SafewayW95				75	2⅜	d2⅛	2⅜	-¼
41⅞	29⅞	StJoePaper	0.20	0.5	39	16	39¼	38⅞	39¼	
34⅛	30¼	StJosL&P	1.72	5.3	14	45	33	32½	32⅝	-⅛
75¼	66½	St Paul's	2.72	3.8	7	820	72¼	71	72	+¼
8⅛	2⅞	Salant Crp			1	3	5⅞	6⅛	6⅛	-⅛
78⅛	59½	Sallie Mae x	1.00	1.6	16	871	64¼	63	63	-1¼
14¼	13	Salomon Br	0.60	4.4		422	13¾	13⅝	13⅝	-⅛
34⅛	26¼	Salomonino	0.64	1.9	10	4067	32½	32⅛	33	+½
23½	21¼	SanDgo G&E	1.44	6.2	13	650	23⅜	23¼	23¼	-¼
3⅞	2⅞	SantaFeEDu	0.40	13.9	19	45	2⅞	2⅞	2⅞	-⅛
9¼	7	SantaFeERs	0.16	1.8	22	1885	8⅞	8¾	8⅞	
36⅞	30¼	SantaFePac	2.80	8.0	10	28	35	34¾	34¾	-⅛
14⅛	11	SantaFeSth			20	4245	12⅞	12	12½	+⅛
57	48⅝	Sara Lee x	1.00	2.0	16	2033	50½	50⅛	50⅛	-⅛
9½	1¼	Savin			0	360	1⅞	d1⅝	1⅞	
44⅞	38⅝	Scana Corp	2.68	6.6	12	1169	41⅝	41⅛	41¼	-⅛
47⅞	40¼	Scecorp	2.72	6.2	13	1444	43⅝	43⅜	43½	-⅛
69	50½	ScheringPl	1.58	3.1	18	9359	61½	d60¼	60⅞	
68⅞	52¼	Schl'berger x	1.20	1.8	19	6544	68	65	67½	+2⅜
37¾	25½	Schwab(C)	0.24	0.8	15	488	29⅛	28⅞	29	+⅛

1992 High	1992 Low	Stock	Div.	Yld. %	P/E	Sls 100s	High	Low	Close Quote	Ch'ge Prev. Close
11	9⅞	Zweig Totl	1.00	10.4		1249	10½	d9½	9⅝	-⅛

Price data supplied by Telekurs.

Owing to technical problems, some price changes in today's edition are based on June 1 instead of June 2. Yearly highs and lows reflect the period from Jan 1, excluding the latest trading day. Where a split or stock dividend amounting to 25 percent or more has been paid, the year's high-only range and dividend are shown for the new stock only. Unless otherwise noted, rates of dividend are annual disbursements based on the latest declaration. Sales figures are unofficial.

a-dividend also xtra(s). b-annual rate of dividend plus stock dividend. c-liquidating dividend. cld-called. d-new yearly low. e-dividend declared or paid in preceding 12 months. g-dividend in Canadian funds, subject to 15% non-residence tax. i-dividend declared after split-up or stock dividend. j-dividend paid this year, omitted, deferred, or no action taken at latest dividend meeting. k-dividend declared or paid this year, an accumulative issue with dividends in arrears. n-new issue in the past 52 weeks. The high-low range begins with the start of trading. nd-next day delivery. P/E price-earnings ratio. r-dividend declared or paid in preceding 12 months, plus stock dividend. s-stock split. Dividends begin with date of split. sls-sales. t-dividend paid in stock in preceding 12 months, estimated cash value on ex-dividend or ex-distribution date. u-new yearly high. v-trading halted. vi-in bankruptcy or receivership or being reorganised under the Bankruptcy Act, or securities assumed by such companies. wd-distributed. wi-when issued. ww-with warrants. x-ex-dividend or ex-rights. xdis-ex-distribution. xw-without warrants. y-ex-dividend and sales in full. yld-yield. z-sales in full.

AMEX COMPOSITE PRICES

4:00 pm prices June 3

Stock	Div.	P/E	Sls 100s	High	Low	Close	Chng
Pegasus G	0.10	33	621	13	12½	12⅝	-⅛
Perini	0.80	27	45	13	13	13	
Pet H&P	1.14	14	7	13½	13½	13½	
Phil LD	0.21	19	461	u46⅞	45	46⅛	+1⅛
Pittway A	1.10	16	56	30⅜	30⅛	30⅛	-⅛
Ply Gem	0.12	27	100	13⅝	13½	13½	
PMC	0.64	15	7	10⅛	10⅛	10⅛	
PresidioA	0.10	1	49	2⅝	2½	2⅝	-⅛
Price Com		0	3	⅛	⅛	3/16	-1/16
RB&W Cp		2	140	4⅛	4⅛	4⅛	
RiedelEnv		1	6	2⅜	2⅜	2⅜	
SJW Corp	1.96	8	5	33	32½	32½	-⅛
SthnUnion		23	12	14½	14¼	14½	
Sterl El		12	10	3½	3⅜	3½	
TIE Ind		2	4	1⅜	1⅜	1⅜	
Tab Prods	0.40	106	5	9⅝	9½	9½	
Tel&Data	0.32	42	173	32¾	32⅛	32¾	-⅛
Thermedics		119	99	8⅜	7¾	8⅜	+½
Thermoins		26	63	25¼	25¼	25¼	-¼
Total Pet x	0.40	21	114	8⅞	8½	8½	
TownCntry		1	259	2⅞	2½	2½	-¼
Tubos Mex		0	206	6⅛	6	6⅛	
UtdFoodsA		4	10	1⅜	1¼	1⅜	-⅛
UtdFoodsB		6	47	2⅛	2	2	-⅛
UnivPlats		67	170	13¼	12½	13⅛	+⅜
US Cellul		62	12	19½	d19⅜	19⅜	-⅜
Vivigen		33	14	14⅝	14⅛	14⅝	-⅛
WangLab C		1	4	6¼	6⅛	6¼	
WangLab B		1	2221	3½	3⅜	3⅝	+¼
Westbrld		16	1763	5⅝	5¼	5½	+¼
Wenltzner	0.62	9	52	21½	21¼	21¼	
WRIET x	1.12	16	263	13¼	13	13¼	+¼
Worthen	0.05	9	67	20½	19¾	20½	+⅞

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FINANCIAL TIMES

NASDAQ NATIONAL MARKET

4:00 pm prices June 3

- X - Y - Z -

Stock	Div.	P/E	Sls 100s	High	Low	Last	Chng
Xilinx		25	5239	24¼	21¼	22½	-1¾
Xoma Corp		11	3307	20¼	19½	20	-⅛
Yellow Fr	0.94	24	194	29⅝	28⅞	29⅝	+¼
York Rsch		47	5769	5⅞	4⅞	5¾	+½
ZionsUtah	1.44	10	4	53	51½	53	

POWER GENERATION EQUIPMENT

The FT proposes to publish this survey on July 30th 1992. The FT is read by over 1000 top European businessmen in power, energy and water industries and 8,500 senior businessmen who specify or authorise the purchase of industrial plant & equipment. This is more than any other international publication in Europe. If you would like further information on how to reach this important audience, please call Bill Castle, on 071 873 3760 or fax 071 873 3062.

Data source: European Business Readership Survey 1992

FT SURVEYS

AMERICA

Dow bides its time in advance of jobs data

Wall Street

AMID uncertainty about the outlook for share prices, US stock markets traded in a narrow range yesterday as investors nervously awaited tomorrow's important May jobs data, *writes Patrick Harverson in New York.*

At the close the Dow Jones Industrial Average was up 10.89 at 3,406.99. The index would have ended higher but for a late sell-off in the final minutes which lopped almost 15 points off the Dow. The more broadly based Standard & Poor's 500 finished up 1.08 at 414.58, the Amex composite up 1.70 at 395.65, and the Nasdaq composite up 0.75 at 589.93. Turnover on the NYSE was 216m shares.

After breaking through the 3,400 barrier on the Dow at the start of the week, investors were disappointed that the market did not add to those gains on Tuesday. Analysts said that the failure of shares to advance further suggested that, until there is fresh evidence of economic strength or improved corporate profitability, stock markets were unlikely to gain much more ground in the short term.

Among individual stocks, General Motors rose $1¼ to $41¾ in heavy trading after the carmaker said that, as part of its cost-cutting drive, it would open to fresh bids virtually all of its contracts with suppliers. The other two big car stocks were also firmer, with Ford up $¾ at $46¾ and Chrysler $½ higher at $19¾.

McDonnell Douglas fell $1⅞ to $39⅛ on reports that over the past few trading days a major institutional shareholder was looking either to trim its holdings or to move out of the stock altogether.

Drug stocks, which took a hammering on Tuesday in the wake of a profits warning from Bristol Myers Squibb, were mixed. Bristol Myers eased $⅛ to $66⅝, Merck held steady at $49⅝, Pfizer added $¼ at $71¼, Upjohn fell $1⅛ to $33⅛. Glaxo was unchanged at $27¼, as was Schering-Plough, at $50⅝.

On the Nasdaq market, Borland International fell $3⅝ to $49⅝ in heavy trading after analysts at two broking houses, Donaldson, Lufkin & Jenrette and Goldman Sachs, lowered their earnings estimates for the company's first fiscal quarter ending this month.

Both said that they had changed their estimates because they were not sure whether Borland's new Paradox 4.0 product would reach retailers during the current quarter.

Advanced Telecommunications, which revealed on Tuesday that it was in merger talks, jumped $2⅝ to $22⅝ in 4m shares after the company entered a stock swap merger pact with LDDS Communications, down $2⅝ at $29¼.

Egghead Software fell $1¼ to $20¼ in busy trading on news of fiscal fourth quarter profits that were slightly lower than a year ago.

Durr-Fillauer rose $1⅛ to $22 after it was announced that Cardinal Distribution will acquire the company's wholesale drug unit for $166.5m in stock. Cardinal rose $1¾ to $29¾ on the news.

Canada

TORONTO stocks closed about where they started, in active trading. Based on preliminary data, the TSE 300 was off 2.86 points, or 0.08 per cent, to 3,407.34. Advancing issues were ahead of declines 285 to 248, volume rose to 30.6m shares from the previous 25.8m, and trading value of C$374.6m was above Tuesday's C$327.5m.

Among the sub-indices, nine were higher and five lower. The day's biggest gain was recorded by the mining group, up 1.11 per cent on index.

Buenos Aires peaks after avalanche of new money

The return of flight capital has led to a snowball effect in Argentine equities, writes **John Barham**

May was a month of records for the Buenos Aires stock exchange and June will probably be equally memorable.

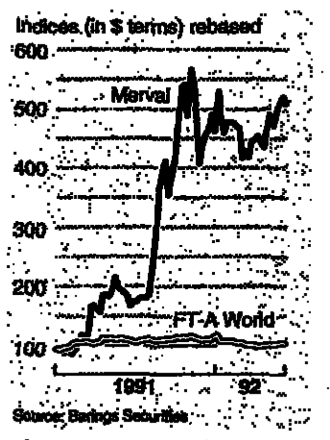
Trading volume broke records on three successive days last month, hitting a peak of $131m on May 21. The exchange's Merval index, which tracks 16 blue chip stocks, rose 6.2 per cent in dollar terms in May to reach a record high of 882, more than four times its level 12 months earlier. The market has consolidated since then, but it still managed to chalk up a new record turnover figure of $147m on Tuesday when the Merval closed at 870.

Buenos Aires became one of the world's best-performing markets after it was hit last year by an avalanche of money, which has kept pushing up prices ever since. For a market with only 170 stocks and daily turnover of just $3m only 18 months ago, the change has been impressive.

The bull phase has turned into a snowball effect: the influx of money pushes up the index, attracting more money, forcing the index inexorably upwards. Last month, over $855m entered Argentina, nearly all of it flight capital returning to the country, fleeing low international interest rates.

Argentina's markets blasted off in August, when it became clear that restructuring of the $32bn foreign commercial bank debt under the auspices of the Brady plan would be successful. A convertible currency pegged to the US dollar, unwavering government commitment to economic reform and low inflation further strengthened confidence. Most listed companies moved strongly into profit after a severe recession ended in mid-1991.

At first, investors bought tried and trusted blue chips to



win exposure to Argentina. When blue chips became fully priced, they branched into second-tier stocks, which have also reached saturation point. The markets really came into their own with the sale in December and March of the government's 30 per cent stakes in two privatised telephone companies for over $2bn, with the new equity feeding investors' appetites.

Now, after aggressive government promotion of equity markets, new companies are applying for listings. This is important for two reasons. First, without more supply, there is every chance that the equity snowball will go into metamorphosis and turn into a giant bubble. El Economista, a financial weekly, calculates that the market's 12 largest companies already have a historical price/earnings ratio of 43, although their aggregate profits were very low in 1991.

Second, incursions into the equity market demonstrate an important shift in Argentina's stuffy corporate culture. Nearly all companies are family-owned, and their proprietors fear that selling shares to outsiders would become a thin edge of a wedge that would eventually force them to relinquish control.

But the lure of dirt cheap equity capital is overcoming these fears. Guillermo Decker, a construction goods company, was the first to hit the market in May with a $14m offer representing 22 per cent of its equity. Companies in the pipeline include Sevel, Argentina's biggest car assembler, which builds Fiat and Peugeot cars under licence, and two affiliates of the Bunge y Born group. Yet more privatisation stocks are due this year.

Equities will remain buoyant for as long as the virtuous circle of capital inflows and new share issues keeps going. And if corporate profits continue growing, today's apparently absurd share prices will be justified. Furthermore, private pension funds are to make their first appearance next year and should channel a good part of their $6-7bn annual cash flow into equities.

But the market is vulnerable to an unpredictable shift in investor sentiment, say cautionary voices. This could suddenly turn the virtuous circle vicious, sending prices crashing and flight capital winging its way back to Miami bank accounts as quickly as it left.

EUROPE

Referendum decisions shake Europe

BOURSES which had appeared in the morning to shrug off Denmark's surprise "No" vote against the Maastrict treaty changed their minds after France called its own referendum on European political and economic union, *writes Our Markets Staff.*

FT-SE Eurotrack 100 - June 3							
Hourly changes							
Open	10 am	11 am	12 pm	1 pm	2 pm	3 pm	close
1194.80	1195.35	1195.52	1193.29	1189.67	1184.65	1184.84	1186.81
Day's High 1196.24				Day's Low 1184.61			

Jun 2	Jun 1	May 29	May 28	May 27
1200.27	1196.12	1199.58	1195.22†	1194.56

Base value 1000 (26/10/90). † Partial.

Ironically, Copenhagen apart, Paris had the worst experience of the day. Frankfurt moved from indifference, through cautious concern just before the official close to further losses in blue chips after hours, but there were signs there of a recovery in the late afternoon.

PARIS began to weaken immediately the market opened with the fall accelerating after President Mitterrand's announcement. Having spent much of the morning resisting a descent through the 2,000 barrier, the index sped to an intraday low of 1,976 before staging a slight recovery just before the close. The CAC-40 ended down 32.26 or 1.6 per cent at 1,992.61 in volume of FFr2.55bn.

The financial sector was hit as the franc came under pressure in the currency markets, Paribas falling FFr12.90 to FFr401.6 and Société Générale by FFr21.00 to FFr520.00.

Other news had its effect. Eurotunnel, weak recently, gained 60 centimes to FFr36.60 with some analysts commenting that investors may have felt that, on technical grounds, the price had now fallen as far as it was likely.

Promodes tumbled FFr169.00 to FFr3,430 on Tuesday's expectation of 12 per cent growth this year, which has led to a number of forecast revisions ahead of tomorrow's analysts' meeting.

Peugeot lost FFr12.00 to FFr777.00 after disappointing sales figures earlier in the week, while dealing in Dassault Electronique was suspended at FFr180.00 ahead of a restructuring announcement after the close.

Among oils Total lost FFr5.60 to FFr258.40 and Elf shed FFr6.60 to FFr392.40.

FRANKFURT moved from a 0.84 rise to 719.06 in the FAZ at midsession to a 12.81 fall to 1,788.58 in the DAX at the close. Turnover rose from DM5.9bn to DM6.9bn.

Mr Horst Greven of Merck Finck in Düsseldorf said that blue chips lost a lot of ground in the last half hour of official trading, suggesting protective mark-downs by dealers.

The relationship between equities and futures in the afternoon indicated another 5 points off the DAX in the post-bourse, said Mr Greven, but at the end of it equities seemed to be gaining ground again.

Drug, or drug-associated companies were down again, Schering dropping DM31.50 to DM755 after a DM6.80 fall on Tuesday on government proposals for a two-year freeze on pharmaceuticals prices. Gehe, the leading drug wholesaler, dropped DM45 to DM919; Altana and Bayer, both with important pharmaceuticals arms, fell DM22.50 to DM623.50, and DM4.80 to DM290.

MILAN recouped some of the opening losses triggered by the Danish vote, the Comit index closing 2.99 lower at 497.32. Fiat and Montedison, which both lost ground at the official closings, rebounded in later kerb trading to end L68 better at L5,474 and just L3 lower at L1,500 respectively.

Banks were hit harder, Banco di Roma and Credito Italiano lost more than 2 per cent with Mediobanca and San Paolo down by slightly less than 1 per cent.

A number of bourses fell by a reactive 1 per cent or less. ZURICH's SMI index of leading shares fell 14.4 to 1,915.8. Dealers blamed the French referendum move, but they also said that Swiss chemical stocks also followed Tuesday's Wall Street weakness in chemicals.

AMSTERDAM saw Fokker actively traded on rumours that merger talks with Dasa may be in trouble. The aircraft manufacturer lost Fl 1.20 to Fl 34.30, while the CBS Tendency General index declined 0.9 to 130.2.

STOCKHOLM opened 1.3 per cent lower, but recovered steadily to end at its high for the day as the Affärsvärlden General index closed 8.30 down at 983.90.

VIENNA recovered from early loses. The ATX index closed 4.84 up at 1,006.93, its highest level since the beginning of April. Among the most active stocks OMV rose Sch16 to Sch938 on news that it had made a new discovery of oil in Libya. The textile manufacturer, Lenzing, gained Sch2 to Sch1,030 in spite of announcing a 38 per cent fall in 1991 operating profit.

DANISH equities opened the day 8 eight per cent down after yesterday's referendum rejecting the Maastricht treaty, *writes Hilary Barnes in Copenhagen.*

Prices recovered steadily in heavy trading throughout most of the day, but an hour before the official close the computerised trade registration system broke down and brought business to a halt. The market was taken by surprise by the referendum result. Few brokers had taken the possibility of a 'No' vote seriously, especially after late opinion polls had pointed to a majority in favour.

The KFX index slipped in early trading to 94,330, a fall of about 6 per cent, but when trading halted it was back to 96,100, a fall of 4.1 per cent on the day. The all-share index crashed by 12.60 to 335.13, down 3.6 per cent. Turnover was DKr412m, almost twice the daily turnover in recent weeks.

ASIA PACIFIC

Forecasts leave Tokyo short of commitment

Tokyo

SHARE prices posted moderate gains on short-term trading of theme stocks, but overall activity remained subdued, *writes Emiko Terazono in Tokyo.*

The Nikkei average advanced 68.13 to 18,188.68 after a high of 18,316.94 and a low of 18,118.43 reflecting short-term trading by dealers and individuals, and index-linked trading by arbitrageurs.

Volume rose slightly from 230m shares to 250m. Declines led advances by 453 to 429 with 203 unchanged. The Topix index of all first section stocks edged up 1.80 to 1,366.38 and, in London, the ISE/Nikkei eased 2.03 to 1080.65.

Domestic fund managers said that although the corporate results season was over, they were reluctant to commit funds due to the uncertainty surrounding the future course of the Japanese economy.

Theme stock trading dominated activity. Nippon Mining, bought for its Aids research, was the most active issue of the day, gaining Y1 to Y485. Snow Brand Milk Products gained Y42 to Y782 on reports that it had started clinical testing of an Alzheimer cure in the US.

Mazda Motor, which previously advanced on the environmental theme due to reports of its development of a recyclable plastic, lost Y26 to Y495 on profit-taking. However, Japan Storage Battery, the supplier for battery-run cars, gained strength with a rise of Y50 to Y1,100.

Other speculative favourites were also active, with Isetan, the department store, up Y80 to Y2,260 and Nihon Nohyaku, the agrochemical maker, adding Y20 to Y1,240.

Foreign investors sought Sony, which gained Y100 to Y4,390. Despite the strength of the yen against the dollar, high-technology issues with high export ratios were firmer on bargain-hunting. Toshiba advanced Y5 to Y645 and Fujitsu by Y14 to Y665.

In Osaka, the OSE average lost 10.72 to 20,822.28 in volume of 17.9m shares. Ono Pharmaceutical rose Y180 to Y6,600 on the bio-technology theme.

Roundup

Many of the region's markets gained momentum following the decision by the US president to grant China Most Favoured Nation trade status for another year.

HONG KONG fell back on profit-taking. The Hang Seng index closed 22.02 lower at 6,037.37 in turnover down to HK$3.83bn from HK$4.32bn.

HSBC initially lost HK$1 to HK$47.50 following its upwardly revised offer for Midland. However, it closed down 75 cents at HK$47.75.

SEOUL gained slightly on support from the stabilisation fund. The composite stock index closed 1.64 higher at 568.98 in turnover of Won218.4bn.

Oil stocks improved on expectations that the government will raise petrol prices. Yukong rose by Won500 to Won24,200.

TAIWAN rose on a technical rebound. The weighted index advanced 115.03 to 4,583.97 in turnover of T$28.2bn.

The financial sector rose 4 per cent on rumours that the government would soon allow an expansion of banking ties with China.

MANILA continued to be strong following the recent presidential elections. The composite index closed up 33.70 to 1,439.42 after an intraday high of 1,445.37. Combined turnover was 450m pesos.

AUSTRALIA again focused on Foster's Brewing and the All Ordinaries index closed up 1.8 at 1,678.1 in turnover of A$216m.

Foster's reached an intraday high of A$2.11 before declining slightly to close up 8 cents at A$2.08, while SA Brewing, which has recently proposed a A$6bn merger with Foster's, lost 5 cents to A$3.08.

BANGKOK was firmer although the market still awaited a clear political direction. The SET index gained 2.42 to 679.52 in low turnover of Bt2.09bn.

SINGAPORE had largely discounted news that one of the major banks was to cut its prime rate. The Straits Times industrial index put on 0.45 to 1,513.72.

JAKARTA had another good rise, the Jardine Fleming index rising 0.95 to 65.04 on renewed local buying after an interest rate cut this week.

SOUTH AFRICA

JOHANNESBURG rose on keen institutional buying: industrials by 42 to a record high of 4,688 before easing back to close at 4,682. The overall index ended 21 higher at 3,743 and the gold index was 19 better at 1,102.

FT-ACTUARIES WORLD INDICES

Jointly compiled by The Financial Times Limited, Goldman, Sachs & Co., and County NatWest/Wood Mackenzie in conjunction with the Institute of Actuaries and the Faculty of Actuaries

NATIONAL AND REGIONAL MARKETS	WEDNESDAY JUNE 3 1992								TUESDAY JUNE 2 1992					DOLLAR INDEX		
Figures in parentheses show number of lines of stock	US Dollar Index	Day's Change %	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	Local % chg on day	Gross Div. Yield	US Dollar Index	Pound Sterling Index	Yen Index	DM Index	Local Currency Index	1992 High	1992 Low	Year ago (approx)
Australia (69)	152.93	+0.7	124.82	123.50	127.57	133.45	+0.1	4.09	151.91	123.41	122.43	126.96	133.37	153.68	140.94	137.67
Austria (19)	173.66	+0.6	141.74	140.24	144.87	145.10	+0.4	2.02	172.56	140.19	139.08	144.22	144.59	186.70	162.48	200.40
Belgium (46)	144.44	+0.0	117.89	116.63	120.49	117.73	−0.1	5.18	144.39	117.30	116.36	120.67	117.86	146.19	135.87	132.91
Canada (115)	127.86	+0.4	104.36	103.24	106.65	111.14	+0.1	3.29	127.40	103.50	102.67	106.47	111.07	142.12	125.60	141.50
Denmark (35)	241.80	−4.7	197.36	195.27	201.71	203.66	−4.5	1.80	253.61	206.03	204.40	211.95	213.17	273.94	226.81	237.99
Finland (15)	77.20	−0.7	63.01	62.34	64.40	70.87	−0.8	1.99	77.78	63.18	62.69	65.00	71.47	89.80	73.64	115.93
France (104)	163.48	−1.4	133.43	132.00	136.36	138.60	−1.3	3.39	165.82	134.71	133.63	138.57	140.40	168.75	148.06	137.07
Germany (65)	124.28	+0.4	101.43	100.37	103.67	103.67	+0.2	2.23	123.84	100.60	99.82	103.49	103.49	124.92	114.67	113.77
Hong Kong (55)	253.44	−0.2	206.85	204.66	211.42	251.78	−0.2	3.25	254.05	206.38	204.75	212.33	252.40	254.67	176.36	153.49
Ireland (16)	157.02	−0.4	128.16	126.80	130.98	133.24	−0.2	4.08	157.59	128.02	127.01	131.70	133.52	173.71	151.78	157.26
Italy (78)	72.55	−0.8	59.22	58.59	60.52	65.75	−0.5	3.21	73.14	59.42	58.94	61.12	66.09	80.86	68.39	81.32
Japan (473)	105.06	+0.0	85.74	84.83	87.66	84.83	+0.2	1.00	105.08	85.36	84.69	87.83	84.69	140.95	88.70	135.67
Malaysia (69)	234.72	+0.2	191.58	189.54	195.79	228.71	+0.1	2.70	234.29	190.33	188.82	195.80	228.38	250.18	212.49	241.02
Mexico (18)	1682.64	−0.8	1373.34	1358.78	1403.62	5733.47	−0.7	1.00	1695.91	1377.72	1368.82	1417.33	5773.11	1789.77	1376.91	1070.01
Netherland (25)	161.48	−0.1	131.80	130.40	134.71	133.22	−0.2	4.19	161.63	131.30	130.26	135.08	133.52	161.74	147.88	140.41
New Zealand (14)	47.51	+0.1	38.78	38.37	39.64	46.92	−0.3	5.45	47.46	38.56	38.25	39.67	47.05	48.52	42.01	51.08
Norway (23)	186.05	−0.8	151.85	150.25	155.20	158.46	−0.7	1.80	187.62	152.42	151.22	156.81	159.55	192.95	161.26	204.95
Singapore (38)	226.48	+0.0	184.85	182.89	188.92	170.02	−0.2	1.95	226.49	183.99	182.54	189.28	170.33	228.43	192.76	206.42
South Africa (61)	247.02	+0.1	201.61	199.47	206.05	188.62	+0.3	2.72	246.87	200.55	198.96	206.31	188.04	263.60	203.16	215.83
Spain (50)	159.38	−1.5	130.08	128.70	132.95	121.58	−1.0	5.00	161.72	131.38	130.35	135.16	122.76	161.72	146.86	160.89
Sweden (27)	197.83	−1.0	161.46	159.75	165.03	169.57	−0.9	2.61	199.78	162.29	161.01	166.96	171.16	200.28	173.09	193.12
Switzerland (60)	106.52	−1.1	86.94	86.02	88.87	97.04	−0.5	2.21	107.75	87.53	86.85	90.06	97.56	107.75	95.99	94.32
United Kingdom (228)	195.78	−1.4	159.79	158.08	163.30	159.79	−0.9	4.67	198.48	161.24	159.95	165.86	161.24	200.07	165.85	170.66
USA (522)	169.12	+0.2	138.03	136.57	141.08	169.12	+0.2	2.95	168.72	137.07	135.99	141.01	168.72	171.66	160.92	155.89
Europe (791)	155.04	−1.0	126.54	125.20	129.34	128.78	−0.7	3.81	156.60	127.22	126.21	130.86	129.74	156.88	139.31	139.73
Nordic (100)	182.77	−2.4	149.17	147.59	152.47	149.94	−2.3	2.17	187.34	152.19	150.98	156.56	153.50	188.52	169.66	184.34
Pacific Basin (718)	111.51	+0.0	91.01	90.05	93.02	91.09	+0.1	1.37	111.50	90.58	89.87	93.19	90.97	141.97	94.40	136.10
Euro−Pacific (1509)	129.14	−0.5	105.40	104.28	107.72	106.69	−0.3	2.54	129.76	105.42	104.57	108.44	107.00	145.21	113.80	137.88
North America (637)	166.53	+0.2	135.92	134.49	138.94	165.17	+0.2	2.97	166.13	134.96	133.91	138.86	164.80	169.69	158.70	154.91
Europe Ex. UK (563)	130.72	−0.7	106.69	105.58	109.07	110.87	−0.6	3.16	131.67	106.96	106.14	110.06	111.55	131.77	121.81	120.76
Pacific Ex. Japan (245)	175.08	+0.2	142.90	141.41	146.06	155.41	−0.1	3.47	174.79	142.00	140.89	146.09	155.55	175.31	149.00	139.94
World Ex. US (1703)	131.42	−0.4	107.26	106.13	109.63	109.09	−0.3	2.55	132.00	107.24	106.40	110.32	109.38	146.91	116.45	139.31
World Ex. UK (1997)	138.18	+0.0	112.78	111.59	115.27	124.35	+0.0	2.45	138.20	112.27	111.39	115.51	124.29	150.58	127.21	141.29
World Ex. So. Af. (2164)	142.45	−0.2	116.27	115.05	118.84	127.10	−0.1	2.71	142.71	115.93	115.03	119.28	127.19	153.05	130.04	143.43
World Ex. Japan (1752)	164.55	−0.2	134.30	132.89	137.28	152.25	−0.1	3.28	164.92	133.98	132.93	137.85	152.48	165.40	153.20	146.57
The World Index (2225)	143.14	−0.2	116.83	115.59	119.41	127.65	−0.1	2.71	143.39	116.49	115.57	119.84	127.74	153.70	130.68	143.86

Constituent change with effect 4/6/92: Addition: Swiss Bank Corp (Reg.) (Switzerland).